

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Minutes of Special Meeting of  
the Board of Directors of the District

October 7, 1976

On notice duly given, the Board of Directors of the Southern California Rapid Transit District met at a special meeting at the District's facility, 3369 Santa Anita Avenue, El Monte, California, at 2:07 p.m. on October 7, 1976, at which time President Byron E. Cook called the meeting to order.

Directors present:

George W. Brewster  
Byron E. Cook  
Marvin L. Holen  
Mike Lewis

Thomas G. Neusom  
Ruth E. Richter  
Charles H. Storing

Directors absent:

Donald Gibbs  
Jay B. Price

George Takei  
Baxter Ward

Staff present:

Jack R. Gilstrap, General Manager  
George W. Heinle, Manager of Operations  
Richard T. Powers, General Counsel  
Frank Carr, Asst. Controller-Treasurer-Auditor  
Mike Olivas, Deputy Admin.-Equal Employment Opportunities  
Robert Williams, Manager of Customer Relations  
Byron Lewis, Director of Personnel  
Samuel Black, Chief Engineer-Bus Facilities  
Richard K. Kissick, Secretary

Also present were members of the public and the news media.

Resolution  
No. assigned

Approval of Minority Contractor Percentage to be Included  
in the Specifications for the Unit II Construction at  
Division #5

Mr. Gilstrap and Mr. Black reviewed the report dated September 30, 1976, recommending that a minimum requirement of 18 percent be included in the Division #5 Unit II construction specifications, and which percentage would be forwarded to UMTA, since UMTA approval was necessary prior to calling for bids on the project. The report also recommended adoption of a procedure attached thereto for enlisting contractor association assistance and criteria for establishing minority contractor requirements for the District's construction projects.

On inquiry of Director Storing, the procedure formula was explained. Director Neusom stated he agreed with the formula but had received calls from the minority contractors who were still not quite satisfied with it since they felt it should have been more than 18 percent, but pointed out they were not present at today's meeting after being advised the matter would be considered today.

On motion of Director Cook, seconded and carried as noted below, the following resolution was adopted:

RESOLVED, that the report dated September 30, 1976, a copy of which is attached to these Minutes as EXHIBIT 1, be and the same is hereby adopted, and a minimum requirement of 18 percent is to be included in the Division #5 Unit II construction specifications for minority contractor participation in said project;

R-76-443

Resolution  
No. assigned

..-76-443  
(continued)

RESOLVED FURTHER, that the "Procedural Steps and Criteria to Determine Minority Contractor Involvement for District Construction Projects" attached to EXHIBIT 1 of these Minutes, be and the same are hereby adopted.

Ayes: Brewster, Cook, Holen, Lewis, Neusom,  
Richter, Storing

Noes: None

Abstain: None

Absent: Gibbs, Price, Takei, Ward

Request of Supervisor Pete Schabarum to Reconsider Removal of three-person Carpools from the San Bernardino Busway During the Training Period for District Operators Prior to the Mixed Mode Busway Operation

Mr. Gilstrap reviewed the report dated September 30, 1976, a copy of which is filed with the Secretary, containing the staff response to Supervisor Pete Schabarum's request to reconsider the removal of three-person carpools from the San Bernardino Busway following the recent work stoppage in order to provide a training period for District operators prior to the mixed mode Busway operation. He further reported that after a meeting with CalTrans representatives yesterday, an estimated date of October 25 has been established as the date on which the District operator training can be completed and establishment of the mixed mode operation on the Busway effected.

Director Lewis stated that both he and Supervisor Schabarum had no problem with the October 25 date and, on his inquiry, Mr. Heinle explained the differences in operating on the former Santa Monica Diamond Lanes and the San Bernardino Busway. Director Storing inquired when the carpools would be

allowed to operate easterly of the Long Beach Freeway and was told May, 1977.

President Cook thereupon stated that no action was required on the report and it was ordered "received and filed."

There being no further business, the meeting was adjourned at 2:30 p.m.

  
Secretary *at*



**Southern California Rapid Transit District**  
425 South Main St., Los Angeles, California 90013  
Telephone: (213) 972-6000

JACK R. GILSTRAP  
General Manager

September 30, 1976

TO: Board of Directors

FROM: Jack R. Gilstrap

SUBJECT: MINORITY CONTRACTOR REQUIREMENT  
FOR THE CONSTRUCTION OF DIV-  
ISION 5, UNIT II

Attached is a report from the District's Minority Contractor Committee recommending a minimum requirement of 18% minority contractor involvement for the above referenced project.

The minority contractors associations have indicated they would prefer a 20% requirement for this project. As the Committee indicates in their report, it would appear more prudent to establish a percentage that is well within the ability of prime contractors to achieve rather than to set the percentage on the high side reducing the probability of success.

Also attached is a set of procedures the Committee has adopted for enlisting assistance from contractor associations and criteria for establishing minority contractor participation on future projects.

RECOMMENDATION

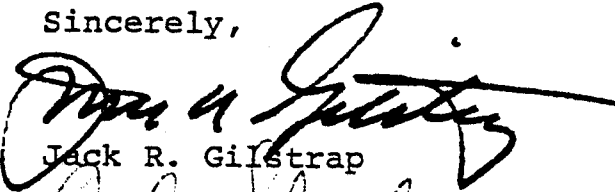
It is recommended the Board

(a) establish 18% as the minimum minority contractor requirement for a responsive bid in connection with the construction of Division 5, Unit II;

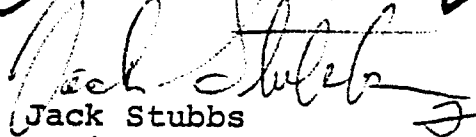
September 30, 1976

(b) . approve procedures for enlisting contractor association assistance and criteria for establishing minority contractor requirements for the District's construction projects.

Sincerely,



Jack R. Gilstrap



Jack Stubbs  
Assistant General Manager  
for Administration

DEPARTMENTAL

**SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT**

425 SOUTH MAIN STREET  
LOS ANGELES

DO NOT INCLUDE MORE THAN ONE  
SUBJECT IN THIS COMMUNICATION

DATE: September 30, 1976

TO: Jack Gilstrap, General Manager

FROM: District's Minority Contractor Committee

SUBJECT: MINORITY CONTRACTOR REQUIREMENTS  
FOR DIVISION 5, UNIT II

In accordance with the Board adopted policy regarding minority owned contractor participation for the District's construction program, the Staff Committee has held several meetings with the four minority contractor association groups for the purpose of determining minority contractor requirements for the above referenced project. The Associated General Contractors were represented at two of these meetings in accordance with Board direction on September 22nd.

Established procedures for implementing the Board's policy were developed concurrently with the development of the requirements for this first project. The Committee has established a procedure for future projects which should facilitate implementation of this policy. These procedures are attached (Attachment 1) and have been sent to the Minority Contractors Association. This procedure indicates the steps the Committee will take in meeting the objectives of the policy to enlist assistance from minority contractors associations in order to determine the resources available for each project.

Following is a summary of the Committee actions and the basis for determining minority contractor participation in the Division 5, Unit II, project.

Four minority contractor associations, the Minority Contractors Association of Los Angeles (MCALA), the California Association of Mexican-American Contractors (CAMAC), the Pasadena Urban Coalition (PUC), and the Oriental Builders Association (OBA), were contacted to determine their resources available for this project.

They submitted 62 contractor profiles; 12 of these profiles indicated substantially lower volumes of work than were required for the Division 5 project and were therefore set aside.

At a subsequent meeting with all of the minority associations, two of these 12 were included for consideration based on additional information submitted at that meeting. An additional 12 profiles were added making a total of 64 minority contractor profiles finally considered for this project.

At the first meeting the Minority Contractors Association submitted a formula for evaluating the resource element of the factors leading to a percentage requirement of minority contractor involvement. On the basis of this formula the Staff made a tentative recommendation of 15% at the Board meeting of September 27th. The subsequent profiles submitted by the Minority Contractors Association would bring this percentile up to 19.4.

The first formula (Attachment 2) determines a method of relating the number of minority contractors in any given trade to the presumed number of subquotes a prudent bidder will obtain. A trade capture rate is then determined that is tempered by a probability factor of one-half resulting in a percentage measuring the minority resource that is available.

The second formula (Attachment 3) is identical to the first formula except the probability factor is deleted.

The Committee, in arriving at a recommended percentage, considered two other factors which temper the resource availability by the first formula. These factors are judgmental and incorporate the following philosophy:

1. Previous specifications have required 30% of the work to be performed by the prime contractor to discourage brokering the work. The prime contractor responsibility has been reduced to 20% in order to provide as much subcontracting work as possible. It is estimated another 10% of the total bid price will involve materials for which no subcontract work is required. It is therefore



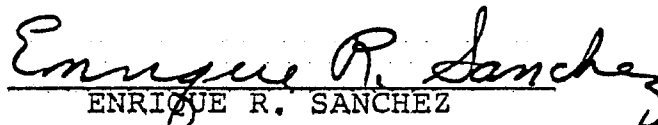
expected that the maximum subcontract work on Division 5 will be 70%. If a prime contractor is required to award up to one-fourth of the available work to minority contractors, there should not be a substantial impact for the overall cost of the project due to high subbids. One-fourth of the maximum available subcontract work equates to 17½% of the overall project.

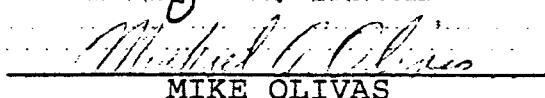
2. Since this procedure is the first of a kind, it would be prudent to establish a percentage for minority contractor involvement that is well within the limits that can be achieved. Certain confusion is bound to result because of this unique program, and therefore, it is advisable to keep the limits in an area where all prime contractors could exceed the minimum requirement in order to assure adequate compliance. To set the limits at a restrictive level could result in a contested policy which would be counterproductive to the very goals the policy is designed to achieve.

Taking all these factors into consideration, realizing prudent judgment must temper subjective statistics and a rigid formula, the Committee recommends that the construction specifications for Division 5, Unit II, specify a minimum minority enterprise subcontract requirement of 18%. The Minority Contractors Association was present at a meeting on September 27th when this decision was reached. A letter confirming this meeting has been sent to the minority contractors associations (Attachment 4). They requested a 20% requirement; however, the Committee feels that 18% is the maximum amount that can be realistically achieved on this first project. Any requirement above this level will reduce the probability of success thereby impacting the long-term benefits that will be achieved by selecting a more conservative approach. Many future District projects, as well as other agencies' policies, are dependent upon a solid start, and the Committee firmly believes that not only is the 18% achievable but in the long term would benefit the minority enterprises more than striving for a high percentage that reduces the probability of success and encourages bids that would have to be ruled nonresponsive.

  
 SAMUEL M. BLACK

  
 EARL STANLEY

  
 ENRIQUE R. SANCHEZ

  
 MIKE OLIVAS

September 30, 1976

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

PROCEDURAL STEPS AND CRITERIA  
TO DETERMINE MINORITY CONTRACTOR INVOLVEMENT  
FOR DISTRICT CONSTRUCTION PROJECTS

The District Staff Committee, responsible for implementing the Board adopted policy for minority owned contractor participation in construction projects, has adopted the following procedural steps for the purpose of defining minimum requirements for minority enterprise involvement.

1. At the 85% completion of the plans and specifications for each construction project the Staff Committee shall notify the following contractor associations listed in 1-A below and provide them with the information listed in 1-B below. This notice will contain a request for each contractor association to submit contractor profiles compatible with the requirements of the project. A date no earlier than three weeks from the notice will be set for submitting all of these profiles.

1-A. Minority Contractors Association  
of Los Angeles (MCALA)

California Association of Mexican-  
American Contractors (CAMAC)

Pasadena Urban Coalition (PUC)

Oriental Builders Association (OBA)

Associated General Contractors  
of California (AGC)

- 1-B
1. Project description
  2. List of subtrades required with approximate percentage value of each trade
  3. Project budget
  4. Anticipated schedule for construction

2. The Staff Committee will review the profiles received up to the date set in #1 above and notify each contractor association of any profiles that do not meet requirements for the project. This notice will contain the firm name and reasons they do not meet the requirements. The individual contractor association will be given one week to submit additional information with respect to such firms.

3. The Staff Committee shall call a meeting at which time the percent requirement of minority contractor involvement will be established for that particular job. Each of the contractor associations listed in 1-A above shall be invited to this meeting with at least one week advance notice of the time and date.

4. The Staff Committee shall consider the following factors in arriving at a minimum percentage for minority subcontractors on each project.

a. Resource availability

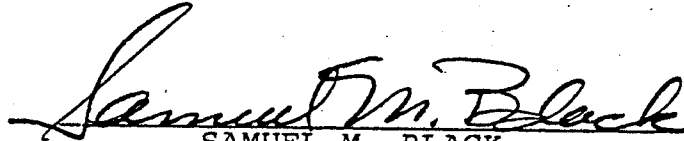
The formula attached (Exhibit I) shall be used as a guide in determining the number of minority subcontractors that are available for the project under consideration.

b. The percentage of the subcontracting work available shall be considered in relation to the affect it may have on all overall cost.

c. Unique conditions of the project which would affect the ability of the prime contractor to coordinate, utilize or incorporate subcontractors into the project.

d. The affect that the minority contractor requirement might have on the time of completion.

5. The Staff Committee shall provide a written recommendation for a percentage requirement of minority subcontractors on each project with an analysis of the factors leading to this decision at the time the Board of Directors considers the approval of the plans and specifications for each project.



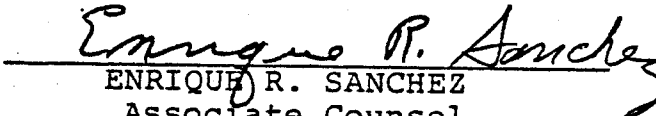
SAMUEL M. BLACK

Chief Engineer-Bus Facilities



EARL STANLEY

Director of Purchasing  
& Stores



ENRIQUE R. SANCHEZ

Associate Counsel



MIKE OLIVAS

Deputy Administrator  
Equal Employment Opportunities

FORMULA FOR REQUIRED MINIMUM PARTICIPATION  
BY MINORITY-OWNED CONTRACTING FIRMS

Definitions

$A_i$  is the availability or "trade capture rate" of minority-owned firms in any specific trade (trade number  $i$ ), expressed as a decimal fraction. The fractions to be used are as follows:

Minority firms deemed available	A
5 or more	.75
3 or 4	.50
2	.35
1	.15
0	0

$B_i$  is the approximate fraction of the project budget estimated to involve trade  $i$ , expressed as a percentage.

$P$  is the overall participation rate requirement, a fraction of total dollar volume, expressed as a percentage.

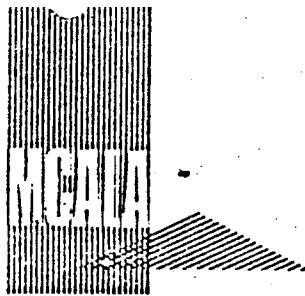
The Formula

$$P = \frac{1}{2} \sum_i A_i B_i$$

Note: The factor of 1/2 accounts for the statistical probability that all potential minority contractors may not be available due to other construction commitments, the prime contractor judgment of potential qualifications, financial resources or bonding capacity at the time sub-bids are solicited.

Minority Contractor Committee to  
General Manager - Attachment

Office of Minority Business Enterprise  
City Demonstration Agency



September 13, 1976

Southern California Rapid Transit District  
Planning Committee of Minority-Owned Sub Contractors  
Business Participation Policy  
425 South Main Street  
Los Angeles, California

Gentlemen:

In an attempt to be fair and equitable to all parties involved in RTD Construction, the following formula was devised by Minority Contractors Association of Los Angeles, (MCALA):

$\%$  of minority participation =  $\frac{1}{2}$  of the minority dollar volume divided by the total dollar volume of the project.

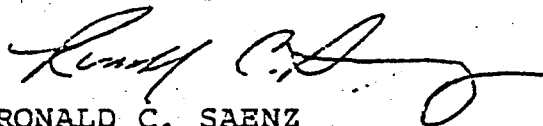
The minority dollar volume is derived by multiplying the estimated total dollar volume of each trade times the trade capture rate. It has been our experience that the normal number of sub trade bidders is six per trade; therefore, we have been conservative in the application of the trade capture rate with five or more = 75%, three and four = 50%, two = 35%, one = 15%, obviously 0 = 0%. Although  $\frac{1}{6}$  = 16  $\frac{2}{3}$ % of the total, for simplicity and conservative reasons we have chosen to go with 75% as opposed to 82  $\frac{1}{3}$ %, 15% as opposed to 16  $\frac{2}{3}$ %, 35% as opposed to 33  $\frac{1}{3}$ %; we have tried to maintain a liberal approach to this portion of the formula.

It has also been our experience that the actual sub bidders in a particular trade is far less than the commitments to bid from our clients. The enclosed chart indicates that ratio. Those contractors composing the numbers of commitments to bid are contractors who have performed on projects equal to the project to be bid; this is without regard to bonding or financing the project to be bid. To further ensure that all of the additional variables receive the proper consideration, we have chosen to reduce the minority dollar volume divided by the total dollar amount of the project by one half. Such variables would include the use of estimated trade dollar amounts, the fluctuation of the amounts of actual sub bids submitted to prime contractors, etc.

The aforementioned formula is for the utilization of minority contractors under the RTD Minority-Owned Sub Contractors Business Participation Policy.

If there are any items in the above which need clarification, please contact me or Mr. Glenn Jones for that information.

Sincerely yours,



RONALD C. SAENZ  
Executive Director

RCS:al

cc: CAMAC  
FEDA  
Oriental Builders Association

MCALA FORMULA TO DETERMINE PERCENT  
OF MINORITY PARTICIPATION ON RTD PROJECTS

<u>COMMITMENTS TO BID</u>	=	<u>ACTUAL BIDDERS</u>
10	=	5
9	=	5
8	=	4
7	=	4
6	=	3
5	=	2
5	=	2
3	=	2
2	=	1

<u>ACTUAL BIDDERS</u>	=	<u>TRADE CAPTURE RATE</u>
5	=	75%
3 & 4	=	50%
2	=	35%
1	=	15%

FORMULA

( Trade Capture Rage ) (Each Trade Value ) = Minority \$ Volume

$$\left( \frac{\text{Minority \$ Volume}}{\text{Total \$ Project}} \right) = \%$$



FORMULA TO DETERMINE % OF MINORITY PARTICIPATION  
ON RTD PROJECTS

<u>Actual Bidders</u>	=	<u>Trade Capture Rate</u>
5	=	75%
3 & 4	=	50%
2	=	35%
1	=	15%

FORMULA

( Trade Capture Rate ) ( Each Trade Value ) = Minority \$ Volume

$$\frac{\text{Minority \$ Volume}}{\text{Total \$ Project}} = \%$$

% of minority participation = the minority dollar volume divided by the total dollar volume of the project.

The minority dollar volume is derived by multiplying the estimated total dollar volume of each trade times the trade capture rate. It has been our experience that the normal number of sub trade bidders is six per trade; therefore, we have been conservative in the application of the trade capture rate with five or more = 75%, three and four = 50%, two = 35%, one = 15%, obviously, 0 = 0%. Although 1/6 = 16, 2/3 of the total, for simplicity and conservative reasons, we have chosen to go with 75% as opposed to 82 1/3%, 15% as opposed to 16 2/3%, 35% as opposed to 33 1/3%; we have tried to maintain a liberal approach to this portion of the formula.

This letter sent to the following contractor groups:

Minority Contractors Association  
of Los Angeles

California Association of Mexican-  
American Contractors

Oriental Builders Association

September 30, 1976

Pasadena Urban Coalition

Associated General Contractors  
of California

Gentlemen:

The District Staff would like to express its appreciation to your organization for assistance in developing the percentage of minority contractor utilization for the first project under the District's policy on this subject.

This will confirm the Staff Committee's decision, reached at the meeting you attended on September 27th, that we will recommend a requirement for minority contractor participation of 18% for the construction of Division 5, Unit II.

As discussed at that meeting this recommendation is based on the evaluation of minority contractor resources along with judgmental factors which we feel must be used in a decision of this nature. The Board will consider this recommendation on October 7th at 1:00 P.M. This Board meeting will be held in the former Gas Company Building located at 3369 Santa Anita Avenue, El Monte.

We certainly understand your desire to have the percentage set at a higher level. As discussed at our meeting on September 27th, the Committee considers it more important to start with a conservative requirement that will assure success on this first project. The long-term benefits to the minority enterprises which will result from an uncontested successful implementation on the first project certainly outweighs the minor amount of work that results from the difference between your requested 20% and the Committee's 18% requirement.

September 30, 1976  
Page Two

I am attaching a list of procedural steps the Committee has adopted for implementing the minority enterprise involvement in future projects, and you are encouraged to keep a current file on the contractor profiles of your members.

We are looking forward to continued assistance on future projects and again wish to thank you for the resource data in connection with the Division 5 project.

Very truly yours,

A handwritten signature in cursive script that reads "Samuel M. Black".

Samuel M. Black  
Chief Engineer  
Bus Facilities

SMB/sw

Attachment