



DBE CREDIT COUNTING

This handout describes the process for counting credits for Disadvantaged Business Enterprise (DBE) contractors and subcontractors.

Guidance is also applicable when counting Metropolitan Council Underutilized Business (MCUB) credit.

DBE subcontractor

A DBE subcontractor must perform at least 30% of its contract using its own employees, equipment, materials, and resources. When this condition is met, all work performed by the DBE may count toward the DBE goal. When a DBE subcontractor furnishes and installs the work item, 100% of the prime contractor's payment to the DBE firm will count toward the contract goal. This includes payment for labor and materials.

When a DBE subcontracts to another DBE firm, the value of the subcontracted work may be counted toward the DBE goal. However, work subcontracted to non-DBE firms does not count toward the goal.

Count expenditures with DBEs for materials or supplies towards DBE goals following the guidance below:

Manufacturer

A DBE manufacturer is a firm that owns (or leases) and operates a factory or establishment that produces, on the premises, the materials, supplies, articles, or equipment required under a contract and of the general character described by the specifications. Manufacturing includes blending or modifying raw material or assembling components to create the product to meet contract specifications.

The Metropolitan Council counts one hundred percent (100%) of the value of manufactured materials and equipment toward the DBE goal, when a prime contractor purchases material or supplies from a DBE manufacturer. However, if a firm only makes minor modifications to the materials, supplies, articles, or equipment, the firm is not a manufacturer. Minor modifications are additional changes to a manufactured product that are small in scope and add minimal value to the final product.

DBE regular dealer

- If a DBE firm is acting as a regular dealer, count 60% of the cost of the materials or supplies, including transportation costs, toward the DBE goal. A DBE firm is considered a regular dealer if it meets the following criteria: The DBE firm must be an established business that engages, as

its principal business and under its own name, in the purchase and sale or lease of the products in question.

- All, or at least 51 percent of, the items under a purchase order or subcontract are provided from the DBE's inventory, and when necessary, any minor quantities delivered from and by other sources are of the general character as those provided from the DBE's inventory.
 - Items kept and regularly sold by the DBE are of the “general character” when they share the same material characteristics and application as the items specified by the contract.
- The DBE firm owns (or leases) and operates a store, warehouse, or other establishment in which the materials, supplies, articles, or equipment of the general character described by the specifications and required under the contract are bought, kept in sufficient quantities, and regularly sold or leased to the public in the usual course of business.
- For bulk items such as petroleum, steel, concrete or concrete products, gravel, stone, or asphalt, a DBE firm may be a regular dealer without owning and operating a place of business if the firm both owns and operates distribution equipment used to deliver the products. Any supplementation of the firm's own distribution equipment must be by a long-term operating lease and not on an ad hoc or contract-by-contract basis.
- A DBE supplier of items that are not typically stocked due to their unique characteristics (e.g., limited shelf life or items ordered to specification) is considered in the same manner as a regular dealer of bulk items. If the DBE supplier of these items does not own or lease distribution equipment, as described above, it is not a regular dealer.

For example, a supplier provides pipes for \$100,000. Since the DBE firm regularly sells this product as a part of its business and has at least 51% of the required amount on hand at their warehouse, \$60,000 will count toward the DBE goal, or 60% of the value of the items provided.

Distributor

- If a DBE firm is acting as distributor, count 40% of the cost of materials or supplies, including transportation costs, toward the DBE goal. A DBE firm does not need to maintain sufficient inventory or use its own distribution equipment to be a distributor. A DBE firm is considered a distributor if it meets the following criteria:
 - The DBE firm is an established business that engages in the regular sale or lease of the items specified by the contract.
 - The DBE firm assumes responsibility for the items it purchases once they leave the point of origin (e.g., a manufacturer's facility), making it liable for any loss or damage not covered by the carrier's insurance.
 - The DBE firm demonstrates ownership of the items in question and assumes all risk for loss or damage during transportation, evidenced by the terms of the purchase order or a bill of lading (BOL) from a third party, indicating Free on Board (FOB) at the point of

origin or similar terms that transfer responsibility of the items in question to the DBE distributor.

- If these conditions are met, the DBE firm may receive 40% for drop-shipped items.
- Terms that transfer liability to the distributor at the delivery destination (e.g., FOB destination), or deliveries made or arranged by the manufacturer or another seller do not satisfy this requirement.

For example, a distributor provides pipes for \$100,000. The DBE firm regularly sells this product as a part of its business. However, the DBE does not have sufficient inventory to meet the need, so it orders the needed quantity from the manufacturer. The DBE firm also assumes all responsibility for the ordered product once it leaves the manufacturer's warehouse and is liable for any loss or damage to the product not covered by the carrier's insurance. The DBE firm is acting as a distributor, so \$40,000 will count toward the DBE goal, or 40% of the value of the items provided.

Broker

When materials or supplies are purchased from a DBE firm that is not a manufacturer, regular dealer, or distributor, the Metropolitan Council will count the entire amount of reasonable fees or commissions charged, including transportation charges, for the delivery of materials or supplies. Fees are considered reasonable when they align with industry standard practices. The Metropolitan Council will not count any portion of the cost of the materials and supplies themselves.

For example, a DBE firm expedites the sale of \$100,000 worth of pipe for a project. The DBE firm charges a commission of 5% for their role in expediting the sale. The amount that would count for DBE credit is 5% of the total contract, or \$5,000.

Differences between a manufacturer, supplier, distributor, and broker

Under the requirements of the DBE Program, the following example shows the difference between a manufacturer, a regular dealer, a distributor, and a broker. An example is the furnishing of crushed aggregate.

- **Manufacturer (100%)** – A DBE is considered a manufacturer of crushed aggregate if it produces the aggregate as its principal business and under its name on its premises. The cost of the crushed aggregate produced can be credited 100% towards meeting the DBE goal.
- **Regular dealer (60%)** – A DBE is considered a regular dealer of crushed aggregate if the material is purchased in its name and it engages as its principal business in the purchase and sale of crushed aggregate to the public or if it both owns and operates the necessary distribution equipment (since aggregate is considered a bulk item) to deliver the crushed aggregate. In these situations, the DBE is considered a regular dealer and 60% of the cost of the crushed aggregate and transportation cost is credited towards the DBE goal.

- Distributor (40%) – A DBE firm is considered a distributor of crushed aggregate when it is an established business that engages in the regular sale of crushed aggregate but does not maintain sufficient inventory and also does not own and operate the distribution equipment. Rather, the DBE distributor purchases the crushed aggregate and assumes responsibility for the aggregate as soon as it is picked up from the manufacturer. If there is damage to the aggregate that is not covered by the carrier’s insurance, the DBE distributor is liable for the loss or damage. In this situation, 40% of the cost of the aggregate and transportation cost is credited toward the DBE goal.
- Broker (100% fees or commissions) – A DBE firm is considered a broker of crushed aggregate when the firm arranges or expedites the sale and/or delivery of the aggregate materials. The Metropolitan Council will count 100% of the fees or commissions for this service toward the DBE goal as long as the fees or commissions align with current industry practices.