

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 DBE work performed 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.

Manufacturer

A DBE manufacturer is one that produces (or alters to meet contract specifications) on its premises materials or equipment used for a project. The Metropolitan Council counts 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.

Supplier

There are two ways a DBE firm can perform work on a contract as a supplier.

- A DBE firm may have a store or warehouse where it sells or leases products to the public.
- For bulk items such as petroleum, steel, cement, gravel, stone, or asphalt, a DBE firm must own and operate distribution equipment for the product it is supplying. Any supplementing of supplier's own distribution equipment shall be by a long-term lease agreement and not on an ad-hoc or contract-by-contract basis. The DBE must lease the equipment itself, as well as run the equipment with its own workforce.

If a DBE firm is acting as a supplier, 60% of the value of items sold to the prime contractor may count toward the DBE goal.

For example, a supplier provides pipes for \$100,000. Since the DBE firm regularly sells this product as a part of its business, \$60,000 will count toward the DBE goal, or 60% of the value of the items provided.



Broker

When materials or supplies are purchased from a DBE firm, which is neither a manufacturer nor a supplier, the Metropolitan Council will count the entire amount of reasonable fees or commissions charged for assistance in the sale of the materials and supplies, or fees for transportation charges for the delivery to a job site. Fees considered to be reasonable are those that are not excessive compared to industry practice.

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, and broker

Under the requirements of the DBE program, the following example shows the difference, between a manufacturer, a supplier, and a broker. The 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.
- **Supplier (60%)** - A DBE is considered a supplier of crushed aggregate if the material is **purchased in its name** and it **engages as its principal business**, the purchase and sale of crushed aggregate is to the public, and the **DBE 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 supplier and 60% of the cost of the crushed aggregate is credited towards 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.