



MCUB CREDIT COUNTING

This handout describes the process for counting credit for Metropolitan Council Underutilized Business (MCUB) contractors and subcontractors.

MCUB subcontractor

A MCUB 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 MCUB may count toward the MCUB goal. When a MCUB subcontractor furnishes and installs the work item, 100% of the prime contractor's payment to the MCUB firm will count toward the contract goal. This includes payment for labor and materials.

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

Count expenditures with MCUBs for materials or supplies towards MCUB goals following the guidance below:

Manufacturer

A MCUB 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 MCUB goal, when a prime contractor purchases material or supplies from a MCUB 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.

MCUB regular dealer

- If a MCUB firm is acting as a regular dealer, count 60% of the cost of the materials or supplies, including transportation costs, toward the MCUB goal. An MCUB firm is considered a regular dealer if it meets the following criteria: The MCUB 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 MCUB's inventory, and when necessary, any minor quantities delivered from and by other sources are of the general character as those provided from the MCUB's inventory.
 - Items kept and regularly sold by the MCUB are of the "general character" when they share the same material characteristics and application as the items specified by the contract.
- The MCUB 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 MCUB 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 MCUB 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 MCUB 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 MCUB 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 MCUB goal, or 60% of the value of the items provided.

Broker

When materials or supplies are purchased from a MCUB firm that is not a manufacturer or regular dealer, 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 MCUB firm expedites the sale of \$100,000 worth of pipe for a project. The MCUB firm charges a commission of 5% for their role in expediting the sale. The amount that would count for MCUB credit is 5% of the total contract, or \$5,000.

Differences between a manufacturer, supplier, and broker

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

- Manufacturer (100%) – A MCUB 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 MCUB goal.
- Regular dealer (60%) – A MCUB 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 MCUB is considered a regular dealer and 60% of the cost of the crushed aggregate and transportation cost is credited towards the MCUB goal.
- Broker (100% fees or commissions) – A MCUB 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 MCUB goal as long as the fees or commissions align with current industry practices.