

The background features a large, stylized letter 'M' composed of several white, 3D rectangular blocks. The 'M' is set against a dark green circular backdrop. This green circle is partially overlaid by a large, curved orange shape that sweeps across the middle of the frame. The bottom portion of the image is a solid black area.

LOCAL PREFERENCE Motion 31

*Construction Committee
February 17, 2022*



LOCAL SMALL BUSINESS ENTERPRISE PREFERENCE (LSBE)

- Motion 43, December 2021
- Report Back and Requesting Approval for A LSBE Pilot
- Why LSBE?:
 - Small businesses represent 99.9% of all U.S. businesses
 - There are more than 250,000 small businesses in LA County
 - Small businesses contribute to local economies by bringing growth and innovation to the community
 - Small businesses create over 66% of net new jobs in local communities
 - Small and minority-owned businesses are disproportionately impacted by COVID-19 pandemic

LOCAL SMALL BUSINESS ENTERPRISE PREFERENCE (LSBE)

- Benchmarking / Survey Analysis:
 - Reviewed 16 Agencies (National, Regional, City, County, and local)
 - 6 of the 16 Agencies did not have a local preference (Sound Transit, DART, LAUSD, Santa Clara VTA, CTA, and SBCTA)
 - 10 of the 16 Agencies applied a local preference
 - Preference Range: from 2% up to 15%
 - Standard Application: Invitation for Bid (IFB) – Bid Discount; Request for Proposal (RFP) – Evaluations Points

LSBE BENCHMARKING

Agency	Preference / Incentive	Contract Threshold	Applicability (RFP/IFB)
City of Los Angeles	8%	<\$150,000	RFP/IFB
LAWA	10%	≤\$100,000	RFP/IFB
Bay Area Rapid Transit (BART)	7% or 5% (based on funding)	>\$10,000,000	RFP/IFB
SF International Airport	10% (Prime) 5% (SBA-LBE's)	>\$10,000,000	RFP/IFB
County of Los Angeles	15%	>\$5,000	RFP/IFB
SFMTA	10% (Prime) 5% (SBA-LBE's)	>\$10,000,000	RFP/IFB
City and County of San Francisco	10% (Prime) 5% (SBA-LBE's)	>\$10,000,000	RFP/IFB
City of Houston	2.5%	<\$100,000	RFP/IFB
County of San Bernardino	5%	≤ \$60K	RFP/IFB
City of San Diego	2%	>\$50,000	RFP/IFB

LSBE RECOMMENDATION /EXCLUSIONS:

- A (3) year pilot Local Small Business Enterprise (LSBE) Preference Program
 - Includes a 5-point Preference Incentive on non-federally funded negotiated procurement in excess of \$100,000 with SBE/DVBE goals
 - Applicability to IFB subject to PUC (Section 130232) Statute Amendment
 - Prohibited on DOT-assisted (FTA, FHWA) contracts
 - Eligible Proposers are required to meet or exceed the SBE/DVBE goals

LSBE APPLICABILITY

- SBE Proposers that meet the LSBE criteria as a prime will receive a 5-point preference (bonus points) added to their evaluation score; or
- Proposers that do not meet the LSBE criteria as a prime but subcontract at least 30% of the contract value with eligible LSBE firms will receive a 5-point preference (bonus points) added to their evaluation score.
- The LSBE preference bonus points is above the 100-point evaluation criteria scale.
- The maximum LSBE preference cannot exceed 5-points

LSBE CERTIFICATION RECOMMENDATION

- To qualify for Metro's Local Small Business Enterprise Preference program firms must first be SBE certified with Metro. In addition to meeting Metro's SBE eligibility requirements, the firm must be:
 - Headquartered in the County of Los Angeles. Headquartered means that the business physically conducts and manages all of its operations from a location in the County.
 - The firm's headquarters must be in Los Angeles County for at least the last 6 months.
- Metro's SBE certified firms in the City of LA and County of Los Angeles
 - Currently there are a total of 1058 firms certified in the County of Los Angeles, this includes 354 firms certified in the City of LA, that may qualify under Metro's Local Small Business Enterprise Preference Program.
 - Staff conducted a representative sample of the firms that were SBE certified in the last 6 six months and found that 49 of the 133 SBE firms certified were located in the County of Los Angeles. Of the 49 firms, 43 were headquartered in the County of LA. In total, 88% of the 6-month sample meets Metro's local preference criteria.



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LSBE – Federal and State Legislative Impacts

- Federal law (49 CFR § 661.21) currently prohibits the use of local procurement preferences on FTA-funded projects.
- Subject to State law (PUC Section 130232) statutory amendment for competitive low bid.
- Government Relations will endeavor to change federal law to specifically allow buy local procurement provisions.
- Government Relations coordination with DEOD and Counsel to develop the specific changes, as recommended and upon Board approval, that will be needed in state law.

Q & A

Thank you



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