



Board Report

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REVISED
REGULAR BOARD MEETING
JANUARY 28, 2021

Motion by:

DIRECTORS DUPONT-WALKER, HAHN, MITCHELL, BUTTS, NAJARIAN, AND SOLIS

Enhancements to Metro’s Medium-Size Business Enterprise Program and Small Business Enterprise Program

In the time of current economic distress, Metro should review its Small Business Enterprise (SBE) program and Medium-Size Business Enterprise (MSZ) program to create new pathways for a continuum of contracting opportunities for SBEs and MSZs.

Metro’s SBE Program was intended to create opportunities for small businesses to obtain contracting agreements with Metro. With Metro’s size and presence in Los Angeles County, an SBE’s trajectory can dramatically change with one contract, however small it may seem compared to Metro’s overall contracting portfolio.

Most importantly, the SBE program has served as a tool for equity and can be made even more impactful with carefully administered adjustments. Metro, through its unique position in the county, has a responsibility and opportunity to lift up local small businesses, especially those in historically overlooked neighborhoods. The chance to compete for Metro contracts should be more accessible to, and protective of, these underserved communities. This creates more possibilities for L.A. County’s remaining SBEs and addresses the needs of an emerging group of MSZs.

Metro currently has many working relationships with such businesses. Still, there is always room for improvement-especially at this moment of ongoing economic distress. One potential is to strengthen its MSZ program to set-aside contracting opportunities for medium-size businesses to compete with similar-size firms.

In January 2019, Metro established the MSZ program. This program addresses the gap between small businesses and large businesses by creating opportunities where only MSZs can compete on non-federally funded procurements. Pursuant to AB-1205 (Jones-Sawyer), the MSZ program applies to both negotiated Requests for Proposal (RFPs) and low-bid Invitations for Bid (IFBs) with an estimated value between \$12 million and \$30 million. MSZs are defined as firms that are not a

subsidiary of another firm, have gross annual receipts of \$25 million - maximum \$250 million (averaged over three years), with a maximum of 250 employees. While the intent of the program is to solicit and award to MSZs, solicitations still allow larger-size firms to respond. If Metro receives only one bid/proposal from an MSZ, it will consider bids/proposals from larger-size firms as well. This may have the unintended consequence of discouraging MSZs from competing for contracts.

Currently, there is one solicitation for the Construction Support Services for Metro G Line (Orange) Bus Rapid Transit Improvements Project. This procurement is pending a result based on proposals being received.

Acknowledging Metro's desire to create a more robust MSZ program, Metro should take additional steps to identify more opportunities to increase MSZ Prime contracting participation while continuing to facilitate small and disadvantaged business participation on such contracts.

SUBJECT: ENHANCEMENTS TO METRO'S MEDIUM-SIZE BUSINESS ENTERPRISE PROGRAM AND SMALL BUSINESS ENTERPRISE PROGRAM

RECOMMENDATION

APPROVE Motion by Directors Dupont-Walker, Hahn, Mitchell, Butts, Najarian, and Solis that the Board direct the Chief Executive Officer to study and recommend MSZ and SBE solutions that embrace Equity considerations, including but not limited to the Disparity Study, impact on historically underutilized businesses, and consistency with industry best practices. These studies should focus on the following:

- A. Review requirements for contracting opportunities with SBEs, including but not limited to:
 - 1. Determining feasibility of achieving certification reciprocity with agencies at the state, county, and local levels that have similar baseline standards as Metro
 - 2. Exploring strategies to ensure that only legitimate SBEs and MSZs may compete for Metro contracts
 - 3. Reviewing certification standards, ownership, owner credentials, and other costs associated with competing for contracts, and recommending steps to streamline the process, ensuring integrity while making it more user-friendly and less costly
- B. Review procurement requirements and identify potential ways to increase contracting opportunities for MSZs, including but not limited to:
 - 1. Reviewing eligibility requirements for participation in the MSZ program to identify strategies to increase the number of businesses that qualify for the program
 - 2. Ensuring that recommendations consider equity, historically underutilized businesses, and key elements of the Disparity Study (current or proposed, if within the next 12 months)

3. Defining strategies to create incentives for prime contractors to utilize MSZs that no longer meet SBE criteria; and
- C. Report back on all the above at the April 2021 Board cycle.