



Board Report

File #: 2022-0186, File Type: Contract

Agenda Number: 29.

CONSTRUCTION COMMITTEE APRIL 21, 2022

SUBJECT: METRO SMALL BUSINESS BONDING ASSISTANCE PROGRAM

ACTION: APPROVE CONTRACT MODIFICATIONS

RECOMMENDATION

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to execute Modifications to Contract No. PS137313000 with Merriwether and Williams Insurance Services, Inc. to continue to provide Small Business Bonding Assistance Program services and Contractor Finance Assistance Program (CFAP) administration in the amount of \$450,000, increasing the total contract price from \$2,197,870 to \$2,647,870, and extend the period of performance from June 1, 2022, through November 30, 2022;

This Contract Modification also includes an as-needed option to extend the contract period of performance up to an additional six (6) months or through May 31, 2023, and increase the total contract price up to an additional \$450,000, for a total not-to-exceed contract price of \$3,097,870.

- B. AUTHORIZING the Chief Executive Officer to approve budget for the Contractor Finance Assistance Program (CFAP) loan fee which provides financial relief for certified small businesses performing on a Metro contract for an amount not to exceed \$300,000; and
- C. ADOPTING a resolution, Attachment A, authorizing the Chief Executive Officer and other Authorized Officers to continue the \$4,000,000 line of credit with Bank of America for six months at a cost of \$8,000 with the option to extend for an additional six months at a cost of \$8,000, and to execute as needed, individual standby letters of credit at a cost of \$2,000 each or 2% of the value of each letter of credit executed, whichever is greater, for a six-month period in the amount of \$37,500 with an option for an additional six-month period for \$37,500 for a not-to-exceed amount of \$71,000 if the option is exercised.

(REQUIRES SEPARATE, SIMPLE MAJORITY VOTE OF THE FULL BOARD)
ISSUE

Metro identified the need to provide bonding assistance to certified small businesses pursuing work on Metro construction projects. Metro partnered with the City of Los Angeles and participated in their

Request for Proposal (RFP) process to identify a consultant capable of providing bonding assistance to small businesses. Metro subsequently executed a memorandum of understanding (MOU) with the City to partner and share resources and certain cost for the consultant services. Metro also issued a contract with Merriwether and Williams Insurance Services (MWIS) to administer Metro's Contractor Development Assistance and Bonding Program (CDABP) for a total of three-years. This three-year contract is scheduled to expire on May 31, 2022.

BACKGROUND

Metro initiated a pilot CDABP program in 2018, and renewed the program with a three-year contract with MWIS that became effective June 1, 2019. Metro also renewed its MOU with the City of Los Angeles for this same period. Metro established a \$4,000,000 program line of credit with Bank of America for its CDABP program. The program provides bonding assistance to small businesses for a maximum amount of \$250,000 or 40% of the bond (whichever is lower) per bond transaction cap dollar amount. The City of Los Angeles' program has the same established limits. Metro assembled a bonding Task Force consisting of the Diversity & Economic Opportunity Department, Risk Management, Treasury, Vendor/Contract Management and Project Construction Management.

MWIS provides bonding education and business development services to contractors through capacity building classes held at Metro, throughout the county (virtually and in-person). MWIS provides technical assistance on preparing small businesses to become bondable, strengthening their companies financially, strategically pursuing work and instructed on best practices in preparing proposals. Some of the tasks performed by MWIS are listed below.

- Assess small business work plans
- Conduct enrollment meetings and contractor consultations
- Refer contractors to resource providers and prime contractors for opportunities
- Consult small businesses on CDABP program services
- Process small business bond requests
- Issue bonds for small businesses
- Refer small businesses to Metro Certification, Pre-Qualification or Vendor Portal
- Provide contract monitoring, project support or contract review for small business
- Develop contractor profiles for marketing small businesses
- Participate in Council District workshops to promote the CDABP program

Approximately 241 small businesses have graduated from various MWIS' training academies in the last three years. Of these 241 small business graduates, 120 graduated from Metro sponsored training academies. MWIS provides Metro staff with several monthly metrics including three specific measures used as key performance indicators. The three key performance indicators below reflect activity from June 1, 2019, through February 28, 2022.

- MWIS has completed over 650 assessments of small businesses and completed workplans to increase their capacity.
- MWIS has referred over 450 small businesses to Metro's Vendor Portal, Certification or Pre-

Qualification.

- MWIS has completed or enhanced over 500 contractor profiles to assist small businesses in strengthening their marketing efforts.

Metro has issued five bonds to date for an aggregate amount of \$1.25 million dollars to assist certified small businesses to bond and acquire over \$15 million dollars in contract awards. The contract details are listed in the table below.

Small Business Name	Assistance Amount	Metro Project	Cert.Type	Small Business Contract Award
G&F Concrete	\$250,000	Rosa Parks Willowbrook Station	DBE SBE	\$1,253,850
SJN Builders, Inc.	\$250,000	Rosa Parks Willowbrook Station	SBE	\$5,091,101
KPA Constructors, Inc.	\$250,000	Regional Connector Transit Corridor	DBE SBE	\$3,691,555
Global Electric	\$250,000	Westside Purple Line Section 1	DBE SBE	\$3,192,000
KPA Constructors, Inc.	\$250,000	Westside Purple Line Section 1	DBE SBE	\$1,850,000
				\$15,078,506

Metro staff implemented a 7% SBE Goal and 4.33% DVBE goal for this CDABP contract. MWIS committed to 19.06% SBE and has achieved 15%, and MWIS achieved 19% towards the 4.33% DVBE commitment to date. Metro staff is requesting the board to approve a six-month extension of the CDABP program contract with an option to extend for an additional six-months while the City prepares, issues and awards a new contract.

DISCUSSION

Findings

The CDABP program has proven to be a tremendous help to small businesses for three years and staff has received positive feedback from businesses who have benefited from the program. As Metro staff was preparing to participate in the City’s RFP process to renew the CDABP program, staff learned that the City was not prepared to issue an RFP at this time. In addition, the City has approved a six-month extension of the current contract with MWIS, with an additional six-month extension while an RFP is prepared and issued. Staff intends to participate in the RFP process when the City is ready to issue the RFP and piggy-back on the City’s contract as done previously with the other agency partners. The agencies partnering in the CDABP program include the City of Los Angeles, Metro, Los Angeles World Airports, Department of Water and Power, the Port of Los Angeles, SCM Public Works, and as of October 2021 the County of Los Angeles. Metro staff received a draft of the City’s RFP on March 21, 2022 and provided feedback and input to City staff by

the March 31, 2022 deadline. Metro staff will continue to work with City staff to get the RFP issued and a new contract procured.

Contractor Finance Assistance Program

Metro staff recently implemented the contractor finance assistance program which was included in the original scope of work of the CDABP. At the time of the contract award to MWIS, the CFAP program was not ready for implementation although the language for the CFAP program was included in the scope of work as a resource to small businesses. The CFAP program makes financial resources immediately available to small businesses by using their contract as collateral. This can provide relief to small businesses that have to float delays in payments resulting from invoices waiting to be processed and paid or change orders to be approved. The CFAP program provides loans to the small businesses at 6.75% interest with an upfront fee of 1% of the amount of the loan (or \$1,500 minimum fee). Metro staff is requesting budget to cover the 1% fee to assist small businesses. The small business can request up to 25% of the amount of their contract and is responsible for the repayment of the loan. There is no risk to Metro. The CFAP program includes a third-party funds administrator to manage the CFAP transactions for the small business to ensure appropriate use of funds. MWIS recently informed Metro staff that the CFAP program was ready for implementation and staff was able to assist a certified small business (Global Electric) in securing a Metro contract in February 2022. Global Electric is also a recipient of Metro's CDABP program and is performing on the Westside Purple Line Section 1 project. With the assistance of the CFAP program, Global Electric is now working on two Metro contracts, the second also on the Westside Purple Line Section 1 project as a subcontractor to LK Comstock for a 2.6-million-dollar contract. The CDABP and CFAP programs both use third-party funds administrators to manage transactions for small businesses. Funds from the current CDABP contract were used to assist Global Electric to secure this additional Metro contract through the CFAP program.

Staff intends to promote and advertise the CFAP program through its robust Metro Connect outreach in-person and on-line events. If approved, the program will be advertised in How to do Business with Metro, lunch and learn events, CDABP training classes, Transportation Business Advisory Council meetings, council district outreach events and other industry events. Staff also intends to promote the program on the Metro.net/connect webpage. Staff is requesting a budget of \$300,000 to support small businesses who can benefit from the program. This budget would provide CFAP support to ten small businesses borrowing \$500,000 against their contract value of \$2.5 million by Metro covering the 1% upfront fee.

DETERMINATION OF SAFETY IMPACT

No safety impact.

FINANCIAL IMPACT

Adoption of this contract extension and options would impact the agency's budget by \$1,271,000 through May 31, 2023.

Impact to Budget

The MWIS contract and the Line of Credit fees will be added to Cost Center 2130. Funding will come from General Funds, which are eligible for Metro Bus and Rail operations and capital expenses. Costs for individual letters of credit will be paid by the projects for which the contractors are providing services.

EQUITY PLATFORM

Staff recommendations are to implement programs that support local small, disadvantaged, minority, women and veteran owned businesses to become more sustainable, financially stable and have access to capital like larger companies. The CDABP and CFAP programs have assisted certified small businesses in capturing over \$15 million dollars in Metro contracts. These SBE and DBE contract dollars were reflected in the appropriate fiscal years towards Metro's annual percentage goals. The CDABP and CFAP support provided by MWIS has provided immeasurable capacity building support to small business and resulted in contract awards through the program.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal 5.5: Metro will expand opportunities for businesses and external organizations to work with us. The CDABP program expands Metro's capability to contract with construction companies on our projects, and also expands small businesses' ability to qualify for larger construction contract opportunities that have increased bonding requirements.

ALTERNATIVES CONSIDERED

The Metro Board could choose to not extend the CDABP program, however, that would not provide small businesses the bonding, financial and capacity building support they might need to perform on Metro construction projects.

NEXT STEPS

- Upon Board approval, staff will execute Contract Modification No. 1 to extend the MWIS contract for 6 months, with the option to extend for an additional 6 months;
- Extend the terms of the line of credit with Bank of America for 6 months, with the option to extend for an additional 6 months;
- Implement the CFAP program to small businesses as funds are available.

ATTACHMENTS

Attachment A - MOU

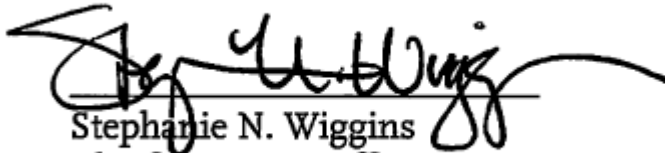
Attachment B - Procurement Summary

Attachment C- Contract Modification/Change Order Log

Attachment D - DEOD Summary

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