



Board Report

File #: 2022-0517, **File Type:** Motion / Motion Response

Agenda Number:

**CONSTRUCTION COMMITTEE
SEPTEMBER 15, 2022**

SUBJECT: LOCAL SMALL BUSINESS PREFERENCE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the report back on the Local Small Business Enterprise (LSBE) Preference Program.

ISSUE

On February 17, 2022, the Board approved a Three-year Pilot Local Small Business Enterprise (LSBE) Preference Program (2022-0025) inclusive of a 5% Preference Incentive for negotiated procurements. An amendment from Director Dupont-Walker requested a report back on how Metro can give more than 5% preference points for non-LSBE firms that subcontract greater than 30% participation with LSBE firms.

BACKGROUND

Los Angeles County, as the country's largest small business economy, has approximately 250,000 local small businesses that account for 43% of the local workforce. To strengthen the local economy and maximize contracting opportunities for local small and historically under-utilized businesses, the Board approved staff recommendations to develop the LSBE Preference Program. The LSBE Preference Program provides a five percent (5%) preference credit for the utilization of local small business firms on Metro contracts.

Action Type RFP	Threshold Level	LSBE Commitment	Preference (Maximum)	Preference Type	Applicable to Federally Funded Acquisition	Applicable to Non-Federally Funded (State/Local) Acquisitions
Negotiated procurements for, Supplies, Equipment Materials and Services, including professional services	≥\$100,000 with SBE/DVBE goals	At least 30%	5	Evaluation Points (Bonus Points)	RFP	RFP
					No	Yes, for Proposers that meet criteria below

Preference Criteria:

Currently, SBE Proposers that meet the LSBE criteria as a prime receive a 5 percent preference credit added to their overall evaluation score. Proposers that do not meet the LSBE criteria as a prime, but subcontract at least 30% of the contract value with eligible LSBE firms, receive a 5 percent preference credit added to their overall evaluation score. The LSBE preference credit is added as bonus points above the maximum possible evaluation criteria scale. All Proposers who meet the LSBE preference criteria receive the full 5 percent preference credit.

LSBE Certification

In June 2022, the Certification team emailed all Metro certified SBE firms, making them aware of the LSBE Preference Program and the Certification eligibility requirements.

To qualify for Metro’s LSBE Preference Program, firms must first be SBE certified with Metro. In addition to meeting Metro’s SBE eligibility requirements, firms must also be:

- Headquartered in the County of Los Angeles. Headquartered means that the business physically conducts and manages all its operations from a location in the County; and
- The firm’s headquarters must be in Los Angeles County for at least the prior 6 months

Firms that were already SBE certified with Metro and met the headquarter requirements were vetted and given LSBE designation. Currently, Metro has 2238 SBE certified firms of which 1124 qualified for the program and now have LSBE designations. Staff has certified more firms than originally forecast in the February 2022 report to the Board.

Moving forward, all new applicants certified as an SBE will automatically be vetted by the Certification

team and granted LSBE designation if LSBE program requirements are met. There will be no additional steps required by firms to attain LSBE certification.

The LSBE Preference Program was launched in solicitations in August 2022. Additionally, the Diversity & Economic Opportunity Department, in coordination with ITS, created a new LSBE database search to assist Contractors in identifying LSBE firms and can be accessed at <https://metro.gob2g.com/>.

DISCUSSION

Staff considered the request to increase the preference credit. As part of this analysis, staff reviewed contracts awarded over the last fiscal year to provide a baseline of what may be achieved in LSBE participation, depending on the type and mix of contracts solicited in the first year of implementation.

The chart below represents non-federally funded RFPs over \$100K with SBE/DVBE goals awarded in FY22. While five (5) of the twenty-six (26) awards were awarded to SBE Primes, only 2 of the awards would have met the LSBE Preference criteria, highlighting the importance of implementing the LSBE Program.

			Results if LSBE Preference Applied	
	SBE and Non-Primes	SBE Primes	SBEs as LSBE Prime	Non-LSBE Prime with at least 30% LSBE
Total # of RFP Awards	26	5	1	1
Total \$'s Award	\$163,341,356	\$28,383,338	\$358,700	\$2,955,150

With one month into the implementation phase of the LSBE Program, staff believes six months is needed to allow solicitations to work their way through the solicitation and award process, in which the LSBE preference will apply. Over the next six months, Metro projects approximately 14 RFPs will be issued with the LSBE preference. At that time, staff can better assess implementation progress, lessons learned, and feasibility of program enhancements and will report back to the Board with a program update.

Competitive Low Bid Update

In the 2022 State Legislative Session, Metro advanced changes to state law through Metro-sponsored AB-2271 by Assemblymember Mike Gipson (D-Carson). AB-2271 will allow Metro to exercise the LSBE Preference program, as approved by the Board in February 2022, on state and/or locally funded competitive low bid contracting. AB-2271 passed the State Assembly on May 23, 2022. As of the writing of this report, the bill has passed the Senate and will be submitted to the

Governor for signature. If signed by the Governor, the statutory amendment will be effective January 1, 2023.

The chart below represents non-federally funded IFBs over \$100K with SBE/DVBE goals awarded in FY22:

			Results if LSBE Preference Applied	
	SBE and Non-Primes	SBE Primes	SBEs as LSBE Prime	Non-LSBE Prime with at least 30% LSBE
Total # of IFB Awards	7	4	4	0
Total \$'s Award	\$44,289,476	\$29,118,666	\$29,118,666	\$0.00

This data represents a baseline for what may be achieved in LSBE participation if the bill is signed and the LSBE Preference is implemented after January 1, 2023.

EQUITY PLATFORM

Metro’s Small Business Enterprise (SBE) program mirrors the Disadvantaged Business Enterprise (DBE) program, which means that all firms that qualify and are certified as a DBE are also certified as an SBE with Metro. Currently there are 2,244 SBE certified firms. Of those SBE certified firms, 1,541 are also DBE certified and 1,124 are Metro LSBE certified firms. As a result, 69% of Metro’s SBE certified firms are minority and/or women owned. The LSBE Preference will help with the County’s economic recovery by increasing the percentage of transportation dollars that remain in the region and invested in economically and socially disadvantaged firms.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This report supports strategic plan Goal 5.5, “Expanding opportunities for businesses and external organizations to work with Metro.”

NEXT STEPS

Upon Board approval, staff will report back in six months.

ATTACHMENTS

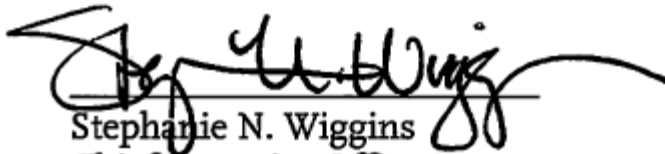
Attachment A - Board Amendment 26 (February 17, 2022, Construction Committee)

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