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Honorable Members of City Council
Of the City of Los Angeles
200 North Spring Street, Room 395
Los Angeles, CA 90012

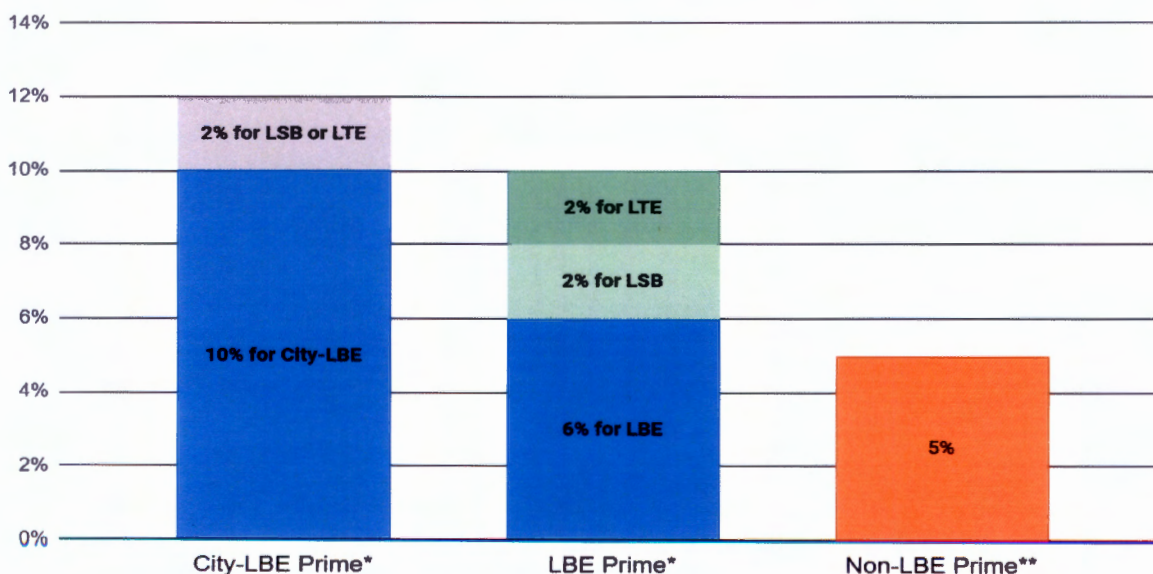
November 9, 2022

Honorable Members,

**LOCAL BUSINESS PREFERENCE PROGRAM IMPLEMENTATION OF MEASURE BB
(COUNCIL FILE 22-0863)**

On September 2, 2022, the City Council adopted a Economic Development and Jobs Committee report instructing the Bureau of Contract Administration (BCA), with the assistance of the Chief Legislative Analyst (CLA), City Attorney, and Office of Procurement (OOP), to report with recommendations for amending the Local Business Preference Program (LBPP) to provide an additional preference to qualified businesses located in the City of Los Angeles as allowed by the Measure BB Charter amendment. The BCA is proposing the LBPP be amended to provide a bid preference range of ten percent (10%) to twelve percent (12%) for qualified businesses within the City of Los Angeles compared with a bid preference range of six percent (6%) to ten percent (10%) for qualified businesses outside the city but within the County of Los Angeles.

Proposed LBPP for Contracts in Excess of \$150,000



RECOMMENDATIONS

That the City Council:

1. AMEND the LBPP bid preference on contracts in excess of \$150,000 as follows:
 - a. Grant qualified City of Los Angeles (City) located Local Business Enterprises (LBE) a ten percent (10%) bid preference and an additional two percent (2%) bid preference for also being a qualified Local Small Business (LSB) or Local Transitional Employer (LTE), up to a maximum of twelve percent (12%) and a total bid preference of no greater than one million dollars (\$1,000,000); and
 - b. Grant qualified LBE's located within the County, but outside the City, a six percent (6%) bid preference and an additional two percent (2%) bid preference per certification for also being a qualified LSB and/or LTE, up to a maximum of ten percent (10%) and a total bid preference of no greater than one million dollars (\$1,000,000);
2. DIRECT the BCA to continue submitting an annual report on the results of the LBPP;
3. DIRECT the BCA to perform a review of the effectiveness of the LBPP in meeting the intent of Measure BB every three years, or as needed, and submit recommendations for potential adjustments to the LBPP percentages to meet the intent of Measure BB;
4. INSTRUCT the Office of the City Attorney to prepare and present a draft ordinance amending Article 4, Division 10 of the Los Angeles Administrative Code, Local Business Preference Program, consistent with the recommendations outlined in this report; and,
5. DIRECT the BCA and OOP to provide extensive outreach and education to city staff and the public once the changes go into effect.

BACKGROUND

In October 2011, as authorized by City Charter, Sec. 371, the City Council and Mayor adopted an ordinance implementing the Local Business Preference Program (LBPP) which went into effect November 28, 2011 (Ordinance No. 181910). The LBPP was designed to level the playing field for local businesses by encouraging those located in Los Angeles County (County) to compete for City contracting opportunities, establish and maintain operations within the City, and encourage established local businesses from relocating to localities with lower business costs. Under this Ordinance, an awarding authority letting contracts in excess of \$150,000 may grant qualified LBE's an eight percent (8%) bid preference, and grant contractors who do not qualify as a LBE, a one percent (1%) bid preference, up to a maximum of five percent (5%), for every ten percent (10%) of their bid that is to be performed by a qualified LBE subcontractor, not to exceed one million dollars (\$1,000,000).

In June 2021, to further the City's mission of boosting local business participation in City contracting and increase employment opportunities for transitional workers, the City Council and



Mayor adopted an ordinance amending and consolidating the existing LBPP with the Small Local Business and Transitional Job Opportunity programs, which went into effect August 7, 2021 (Ordinance No. 187121). Under the new ordinance, an awarding authority letting contracts up to \$150,000, may grant qualified LSB's and/or LTE's a ten percent (10%) bid preference, and may grant contractors who do not qualify as a LSB or LTE, a one percent (1%) bid preference, up to a maximum of five percent (5%), for every ten percent (10%) of their bid that is to be performed by a qualified LSB, and/or LTE subcontractor.

In addition, an awarding authority letting contracts in excess of \$150,000, may grant qualified LBE's an eight percent (8%) bid preference, and, if the LBE is also a qualified LSB and/or LTE, they may be granted an additional two percent (2%) for each of the certifications, up to a maximum of twelve percent (12%) and a total bid preference of no greater than one million dollars (\$1,000,000). Contractors who qualify as a LBE, but not as a LSB nor a LTE, may be granted an additional one percent (1%) preference, up to a maximum of two percent (2%), for every ten percent (10%) of their bid that is to be performed by a qualified LSB and/or LTE subcontractor. Also, contractors who do not qualify as a LBE, may be granted a one percent (1%) bid preference, up to a maximum of five percent (5%), for every ten percent (10%) of their bid that is to be performed by a qualified LBE, LSB, and/or LTE subcontractor.

MEASURE BB, CHARTER AMENDMENT

Charter Section 371 states that competitively bid City contracts shall be awarded to the lowest responsive and responsible bidder. Charter Section 371(a) allows the City to provide a bid preference, but limits the award of the bid preference to a bidder located in California or within the County of Los Angeles. This has created a significant disadvantage for businesses located in the City of Los Angeles due to higher labor and business cost, as the City is one of the ten most expensive places to do business in the U.S. In further support of local businesses, the City Council requested, "City of Los Angeles" be added to the definition of "local", in Charter Section 371(a). On June 7, 2022, the voters approved Measure BB, a Charter Amendment allowing the City to grant an additional bid preference for businesses located specifically within the City of Los Angeles. The City Council then approved a recommendation from the Economic Development and Jobs Committee, pursuant to Motion (C.F. 22-0863), instructing the BCA, with the assistance of the CLA, City Attorney and OOP, to report with recommendations for amending the Local Business Preference Program to provide an additional bid preference to businesses located in the City of Los Angeles.



For Contracts in Excess of \$150,000	Original LBPP November 2011	Updated LBPP August 2021	Proposed LBPP 2022	
			City of LA - LBE	Non-City LBE
LBE Prime	8%	8%	-	6%
City-LBE Prime	-	-	10%	-
LSB Prime	-	+2%	+2%	+2%
LTE Prime	-	+2%	+2%	+2%
Non-LBE Prime	1% (up to 5%) for every 10% of bid performed by LBE subcontractors	1% (up to 5%) for every 10% of bid performed by LBE, LSB, and/or LTE	1% (up to 5%) for every 10% of bid performed by LBE, LSB, and/or LTE	1% (up to 5%) for every 10% of bid performed by LBE, LSB, and/or LTE
LBE Prime (non- LSB/LTE)	-	1% (up to 2%) for every 10% of bid that is performed by LSB and/or LTE	1% (up to 2%) for every 10% of bid that is performed by LSB and/or LTE	1% (up to 2%) for every 10% of bid that is performed by LSB and/or LTE
Overall Bid Preference Cap	\$1 million	12% and no greater than \$1 million	12% and no greater than \$1 million	10% and no greater than \$1 million

IMPLEMENTATION RECOMMENDATIONS

The BCA recommends the following amendments to the provisions of the City of Los Angeles Ordinance No. 187121 – Local Business Preference Program, to incorporate Measure BB, for contracts in excess of \$150,000:

The awarding authority may grant qualified LBEs, located within City limits, a ten percent (10%) bid preference. If the City-Located LBE is also a qualified LSB or LTE, they may be granted an additional two percent (2%), up to a maximum of twelve percent (12%) and a total bid preference of no greater than one million dollars (\$1,000,000). Contractors who qualify as a LBE under the previous definition and are a County of Los Angeles-based business, but are not located in the City, may be granted a six percent (6%) bid preference. If the County-based LBE is also a qualified LSB and/or LTE, they may be granted an additional two percent (2%) for each of the certifications, up to a maximum of ten percent (10%) and a total bid preference of no greater than one million dollars (\$1,000,000).

Contractors who qualify as either a City-Located LBE or County-Located LBE, but not as a LSB or a LTE may also be granted an additional bid preference for using a qualified LSB and/or LTE subcontractor. These LBE contractors may be granted a one percent (1%) bid preference, for every ten percent (10%) of their bid that is to be performed by a qualified LSB and/or LTE subcontractor up to a maximum bid preference under this category of two percent (2%). The overall bid preference cap would remain at twelve percent (12%) for City-Located LBEs or ten



percent (10%) for County-Located LBEs, and a total bid preference of no greater than one million dollars (\$1,000,000).

Additionally, contractors who do not qualify as either a City-Located LBE or County-Located LBE, may be granted a one percent (1%) bid preference, up to a maximum of five percent (5%), for every ten percent (10%) of their bid that is to be performed by a qualified LBE, LSB, and/or LTE subcontractor, up to a maximum of twelve percent (12%) for City-Located LBE or ten percent (10%) for LBE, and a total bid preference of no greater than one million dollars (\$1,000,000).

It should be noted that the BCA and OOP evaluated similar preference programs at other municipalities. Los Angeles County provides a bid preference of up to 15%, but with a cap of \$150,000. The City and County of San Francisco provide a bid preference of up to 10%.

At this time, the BCA does not recommend any changes to the bid preferences for contracts up to \$150,000.

EDUCATION AND OUTREACH

Given the new potential changes, education and outreach will be a critical component to the success of this policy, to ensure the public is informed of the new preferences and contracting opportunities, as well as for City departmental staff to familiarize themselves with the changes for proper implementation. For City staff, the BCA and OOP will train and educate the Department Contract Coordinators (DCCs). The DCCs are responsible for disseminating information to their departmental contracting staff. By educating the DCCs on the amendments to the ordinance, they will be able to provide guidance to staff within the department responsible for awarding contracts and they will be able to respond to more basic questions from their staff. Together, this will ensure the correct implementation of the new policy and maximize opportunities intended by the Charter amendment and this proposed ordinance.

In addition, educating the public on the new amendments is essential so that contractors will be aware of the changes and how it could affect them and the award of a project. The BCA and OOP will work together to create informational material to be distributed through multiple press releases, including the Regional Alliance Marketplace for Procurement (RAMP) Newsletter and emails to all registered RAMP firms. It is possible, and should be our goal, to ensure that this new policy encourages businesses in the City of Los Angeles to get certified and apply for additional projects, understanding that they may now have a better opportunity to compete for an award. The BCA will monitor certification activity and will report back if there is a significant increase in certification requests that require additional resources. City-sponsored outreach events, such as Accessing LA, as well as community sponsored events, are indispensable in providing a forum in which to distribute information to the public.

REPORTING

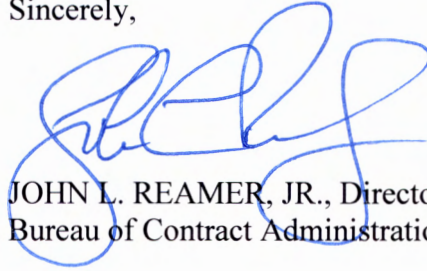
The BCA proposes to provide the City Council with an annual LBPP report on the results from the previous fiscal year. As these will be new changes to the ordinance, it is crucial to track the impact that these amendments will have on the award of projects yearly. In addition, every three years, or as needed, the BCA will report any possible recommendations for change. Each year



may have random fluctuations that impact project awards though they may not yet be an indicator of a trend. However, a three-year report will be more likely to show an overall trend of the impact of these proposed changes, and it will provide an opportunity for the BCA to propose additional revisions to the ordinance, if necessary, to meet the intent of the voters in approving Measure BB.

If you have any questions regarding this report or recommendations, please contact Raoul Mendoza at raoul.mendoza@lacity.org or by phone at 213-847-2677.

Sincerely,

A handwritten signature in blue ink, appearing to read "John L. Reamer, Jr.", is positioned above the printed name.

JOHN L. REAMER, JR., Director
Bureau of Contract Administration

JLR:RM:lg

20221109 LBPP CF 22-0863 Measure BB Implementation

