


**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: June 20, 2016

TO: Honorable Members of the Ad Hoc on Comprehensive Job Creation Plan Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 14-1277
Assignment No: 15-02-0132

Updated Department Responses - Local Business Preference Program

SUMMARY

On February 10, 2016, the Ad Hoc on Comprehensive Job Creation Plan Committee (Committee) considered a report from the Chief Legislative Analyst (CLA) concerning the Local Business Preference Program (LBPP). At the meeting, the CLA presented information on the LBPP and provided some initial recommendations for improvement. During the meeting, the CLA informed the Committee that 27 of 37 City departments responded to the request for information regarding local business participation in the LBPP. In order to obtain more complete department LBPP information, our Office collaborated with the Chair of the Ad Hoc on Comprehensive Job Creation Plan Committee and the Bureau of Contract Administration to solicit LBPP data from the unresponsive City departments and those whom did not provide complete information. Attachment I of this report is the updated information regarding LBPP participation numbers in City departments.

RECOMMENDATIONS

Receive and file this report.

BACKGROUND

The LBPP provides an eight percent preference to Local Business Enterprises (LBE) within Los Angeles County (County) that bid on City contracts for goods, equipment, supplies, and construction greater than \$150,000. Local businesses are identified as LBEs if they operate in the County and meet one of the following criteria: 1) demonstrate that at least 50 full-time employees perform at least 60 percent of regular work hours on an annual basis within the County; 2) demonstrate that at least half of the full-time employees perform at least 60 percent of regular work hours on an annual basis within the County; or 3) demonstrate that it is headquartered in the County. The "preference" is applied to the LBE bid or proposal solely for evaluation purposes. The LBPP also provides a preference of up to five percent to a bid or proposal submitted by a non-LBE business that uses a qualifying Local Subcontractor to perform work.

DISCUSSION

In our initial report, our Office provided information based on complete responses by 26 City departments. Our Office collaborated with the Bureau of Contract Administration (BCA) and staff from the Chair of the Ad Hoc on Comprehensive Job Creation Plan Committee to obtain the missing information from the 10 unresponsive City departments or those who previously provided incomplete information. Updated LBPP participation data now reflects information from six additional departments for a total of 33.

For the remaining four City departments, information was unavailable for various reasons. For the Department of Water and Power information was excluded because the data was incomplete. Additionally, data was unavailable from the Housing Authority of the City of Los Angeles (HACLA)

since it is a federally-funded legal entity that must meet the Housing and Urban Development Department procurement laws, regulations and procedures which prohibit the use of statutorily or administratively imposed in-state or local geographic preferences in the evaluation of bids and proposals. Lastly, no information is available for the Los Angeles City Employees' Retirement System and the Los Angeles Fire and Police Pension System since the LBPP exempts "awarding authorities" (departments, boards, or commissions) that control their own funds from participation.

FINDINGS

To determine the number and percentage of City contracts awarded to LBEs, our office consulted with BCA to obtain data on the participation of LBEs in City contracts for commodities, equipment, supplies, construction, or personal services, per the LBPP. BCA emailed requests for information to City departments on three occasions in February 2015, April 2015, and February 2016. Participation data in the LBPP includes information for prime and sub-prime vendors that qualify as LBEs.

As stated previously, data is limited to the 33 City departments for Fiscal Years 2011-2012 to 2014-2015. Attachment I provides the updated level of participation in City departments with the number and percentage of City contracts awarded to LBEs under the LBPP. Below is a summary of the updated information.

Year 1 (FY2011-2012)

In Year 1 of the LBPP, the City awarded 1,309 contracts in the amount of approximately \$575M. Of the 1,309 contracts, 272 were awarded to LBEs (21 percent). The award amount for the 272 contracts amounts to approximately \$92 million. In Year 1, no contracts were awarded to LBEs as a result of the Preference. This may be due to limited time for implementation since the Ordinance was adopted on November 24, 2011 and the LBPP officially commenced on January 1, 2012.

Year 2 (FY2012-2013)

In Year 2 of the LBPP, the City awarded 868 contracts in the amount of approximately \$1.7B. Of the 868 contracts, 185 were awarded to LBEs (21 percent). The award amount for the 185 contracts amounts to approximately \$308 billion. However, in Year 2, 15 LBEs benefited from the LBPP and contract awards amounted to \$56 million. The cost to the City as a result of awarding the contracts to the LBEs over non-LBEs was approximately \$69,000.

Year 3 (FY2013-2014)


In Year 3 of the LBPP, the City awarded 895 contracts in the amount of \$2.0B. Of the 895 contracts, 243 were awarded to LBEs (27 percent). The award amount for the 243 contracts amounts to approximately \$709 million. In the third year 28 LBEs obtained contracts through the Preference which amounted to approximately \$152 million in contract awards. The cost to the City in awarding LBEs over non-LBEs amounted to approximately \$516,000.

Year 4 (FY2014-2015)

In Year 4 of the LBPP, the City awarded 918 contracts in the amount of approximately \$1.9B. Of the 918 contracts, 209 were awarded to LBEs (23 percent). The award amount for the 209 contracts amounts to approximately \$196 million. Twenty-six LBEs benefited from the Preference and contract awards amounted to approximately \$5.2 million. The cost to the City in awarding contracts to LBEs over non-LBEs amounted to approximately \$50,000 in Year 4.

Updated and complete data provided by City departments to BCA indicates that over the course of the four years of the LBPP, from Fiscal Years 2011-2012 to 2014-2015, the percentage of the number of contracts awarded to LBEs ranges from 21 percent to 27 percent, at a value of \$1.3 billion. Additionally, the average participation of the LBEs during the four year period is 23 percent (909/3,990) as a result of the LBPP City contracts. In terms of contracts awarded to LBEs, 69 out of 3,990 contracts (1.7 percent) were awarded to LBEs which amounts to approximately \$212 million. As a result of this program, the fiscal impact to the City is approximately \$635,000.

FISCAL IMPACT: No fiscal impact.



Gabriel R. Salazar
Analyst

Attachment: 1. Updated City Contract Awards to Local Business Enterprises (LBEs) under the Program

SMT:IS:JW

Updated Citywide* Contract Awards to Local Business Enterprises (LBEs) under the Local Business Preference Program (LBPP)

FY 11-12 Jul 1, 2011 - Jun 30, 2012 1309 Projects	LBE 272 awards (21%)	LBE awards due to the LBPP 0 awards	Total Cost to the City to award to LBEs over non-LBEs	Total Award Amount, all Projects (1309 Awards)
dollars (\$)	\$91,896,176.42	\$0.00	\$0.00	\$574,564,320.82
percentage (%)	15.99%	0.00%	0.00%	
FY 12-13 Jul 1, 2012 - Jun 30, 2013 868 Projects	LBE 185 awards (21%)	LBE awards due to the LBPP 15 award	Total Cost to the City to award to LBEs over non-LBEs	Total Award Amount, all Projects (868 Awards)
dollars (\$)	\$307,961,948.18	\$55,603,487.00	\$68,891.00	\$1,752,197,614.23
percentage (%)	17.58%	3.17%	0.00%	
FY 13-14 Jul 1, 2013 - Jun 30, 2014 895 Projects	LBE 243 awards (27%)	LBE awards due to the LBPP 28 award	Total Cost to the City to award to LBEs over non-LBEs	Total Award Amount, all Projects (895 Awards)
dollars (\$)	\$709,297,926.18	\$152,018,959.50	\$516,296.28	\$1,973,271,362.94
percentage (%)	35.95%	7.70%	0.03%	
FY 14-15 Jul 1, 2014 - Jun 30, 2015 918 Projects	LBE 209 awards (23%)	LBE awards due to the LBPP 26 awards	Total Cost to the City to award to LBEs over non-LBEs	Total Award Amount, all Projects (918 Awards)
dollars (\$)	\$196,361,944.56	\$5,177,612.88	\$49,629.13	\$1,944,961,314.86
percentage (%)	10.10%	0.27%	0.00%	
Total # of LBE Awards	909	69		978 Awards
Total Dollars Spent on LBE Awards	\$1,305,517,995.34	\$212,800,059.38	\$634,816.41	\$6,244,944,612.85
<i>*Requests for LBE- LBPP information were sent to all (37) City Depts. on 2/13, 4/16/15 & 8/2/15.</i>				
Notes:				
A firm is credited as a LBE if certified by the City of LA, Bureau of Contract Administration on BAVN.				
"Total Cost to the City to award to LBEs over non-LBEs" example- If after applying the LBPP, a Dept. awards a contract to a LBE whose bid is \$10,000 over a non-LBE whose bid is \$9,500, the Total Cost to the City to award to LBEs over non-LBEs is \$500 (\$10,000 - \$9,500).				