

AD HOC ON COMPREHENSIVE JOB CREATION PLAN COMMITTEE REPORT relative to changing the definition of small business for procurement preference programs.

Recommendation for Council action, as initiated by Motion (Krekorian - Price):

INSTRUCT the Chief Legislative Analyst (CLA) to:

- a. With assistance from the Bureau of Contract Administration, the Chief Procurement Officer, and the City Attorney, and with input from the Small Business Commission, report relative to changing the definition of small business for procurement preference programs based on gross receipts, and to prepare recommendations for future evaluation of this threshold.
- b. With the assistance from the Bureau of Contract Administration and the Chief Procurement Officer, conduct a survey of all local business enterprise certified companies (primes and subcontractors) to obtain data on the average gross receipts from the businesses that qualify for this program and to report on the results.
- c. Report on altering the definition of small businesses to encompass businesses that are located only within the City and to make additional recommendations to maximize the benefit to jobs creation income within the City, economic stimulus, and tax revenues for the City.

Fiscal Impact Statement: Neither the City Administrative Officer nor the CLA has completed a financial analysis of this report.

Community Impact Statement: None submitted.

(Budget and Finance Committee waived consideration of the above matter)

SUMMARY

On September 16, 2020, Council considered Motion (Krekorian - Price) relative to changing the definition of small business for procurement preference programs. Motion states that the existing local business preference program and small local business program provides bid preferences to encourage local and small business participation in City-funded contract bidding and support the local economy by keeping jobs in Los Angeles. Recently, Council requested that the City Attorney and the Bureau of Contract Administration update the ordinances to expand opportunities, increase preference amounts for bidders, and widen criteria for businesses.

Motion goes on to state that the proposed update did not include widening the threshold that determines which businesses qualify for these contract preferences based on their gross receipts. Currently, businesses do not qualify for the program if they gross more than \$3 million per year. Comparatively, the County of Los Angeles Local Small Business Enterprise program qualifies small businesses as those that gross no more than \$15 million annually.

Motion movers believe that the City should reevaluate how it defines small business in order to

maximize the economic benefit of the preference programs and the City should also determine how to further incentivize more subcontractors to participate in its bid preference programs. Motion recommends that Council instruct the CLA to report relative to changing the definition of small business for procurement preference programs based on gross receipts, recommendations for future evaluation of this threshold, and to gather data in support of this action. Council referred Motion to the Ad Hoc on Comprehensive Job Creation Plan and the Budget and Finance Committees for consideration.

At its special meeting held September 22, 2020, the Ad Hoc on Comprehensive Job Creation Plan Committee recommended that Council approve Motion's recommendation, as amended to further instruct the CLA to report on altering the definition of small businesses to encompass businesses that are located only within the City, and to make additional recommendations to maximize the benefit to jobs creation income within the City, economic stimulus, and tax revenues for the City.

Respectfully Submitted,

AD HOC ON COMPREHENSIVE JOB CREATION PLAN COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
BLUMENFIELD:	YES
HARRIS-DAWSON:	YES

jaw

-NOT OFFICIAL UNTIL COUNCIL ACTS-