



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### FOR INFORMATIONAL PURPOSES ONLY

**DATE: MARCH 8, 2017**

**TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS**

**SUBJECT: LOCAL BUSINESS PREFERENCE PROGRAM**

Background: On October 14, 2011, the City Council approved an Ordinance establishing a Local Business Preference Program (LBPP). The LBPP provides qualified Local Business Enterprises (LBE) with an 8% preference on contract opportunities valued in excess of \$150,000. On April 5, 2012, the Board of Harbor Commissioners (Board) authorized the implementation of the LBPP. As part of the adoption of the LBPP, the Board recommended that the LBPP sunset five years from the implementation date unless the Board took further action to extend the LBPP. The LBPP will sunset in May 2017.

Local Business Enterprise: The Harbor Department defines a LBE as:

- (a) A business headquartered within Los Angeles, Orange, Riverside, San Bernardino, or Ventura Counties; or
- (b) A business that has at least 50 full-time employees, or 25 full-time employees for specialty marine contracting firms, working in Los Angeles, Orange, Riverside, San Bernardino, or Ventura Counties.

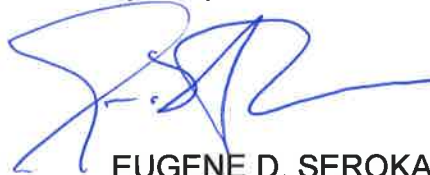
Impact of the Local Business Preference Program: Since the inception of the LBPP, the Harbor Department has issued 93 Request for Proposals (RFP) and Requests for Bids (RFB) that provided for a local preference, and subsequently awarded approximately \$428.4 million in contracts. Of the \$428.4 million, \$371.6 million or 87% was awarded to LBEs. The following is a summary of LBE participation:

Contract Type	Non-LBE	LBE	Total
RFP - Services	\$55,771,501	\$154,229,910	\$210,001,411
RFB - Construction	\$0	\$206,043,138	\$206,043,138
RFB - Procurement	\$1,033,588	\$11,287,205	\$12,320,793
	<b>\$56,805,089</b>	<b>\$371,560,253</b>	<b>\$428,365,342</b>

Since the Program's inception, the LBPP has minimally impacted the outcome of contract awards and the cost to the Harbor Department. The primary reason for the limited impact is that a significant majority of bidders and proposers are qualified LBEs. Of the 33 RFBs where the LBPP was applicable, only three procurement contract awards were impacted by the application of the preference. As a result of the preference, the Harbor Department expended an additional \$352,489 for these three procurement contracts since the contracts were awarded to the lowest bidder after applying the preference. Of the 60 RFPs where the LBPP was applicable, only one contract award was impacted by the application of the preference. There was no financial impact to the Harbor Department because the resulting contract amount was based on what the Division budgeted for the project.

Options for Discussion:

1. Take no further action – The LBPP would sunset in May and staff would no longer track LBE participation.
2. Take no further action and track LBE participation - The LBPP would sunset in May and staff would track LBE participation and continue to report to the Office of the Mayor, but not offer the preference in contract opportunities.
3. Amend the LBPP – With the exception of the definition of a LBE, the Harbor Department's Program is equivalent to the City Ordinance. In order to be consistent with the City Ordinance and the restrictions under the Tidelands Trust, the definition of a LBE could be amended to include a minimum of two counties only (e.g. Los Angeles and Orange County)
4. Extend the LBPP in its entirety as currently adopted.



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