Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
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Los Angeles, CA

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EXECUTIVE MANAGEMENT COMMITTEE
OCTOBER 16, 2025

SUBJECT: LOCAL SMALL BUSINESS ENTERPRISE (LSBE) PREFERENCE PILOT PROGRAM UPDATE

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. RECEIVING AND FILING the Local Small Business Enterprise (LSBE) Preference Program Pilot Final Report; and

B. APPROVING the Local Small Business Enterprise (LSBE) Preference Program.

ISSUE

On February 17, 2022, the Board approved a three-year pilot of the Local Small Business Enterprise (LSBE) Preference Program in response to Motion 31 (Directors Hahn, Dupont-Walker, Butts, Mitchell, Dutra, and Kuehl (Attachment A). This report provides final results and analysis, including procurement data from FY23-FY25, and a recommendation to make the LSBE Preference Program permanent based on its demonstrated success.

BACKGROUND

To boost the local economy and expand access to Metro contracts for small and underutilized businesses, the Board approved the creation of the Local Small Business Enterprise (LSBE) Preference Program in response to Motion 31 (Directors Hahn, Dupont-Walker, Butts, Mitchell, Dutra, and Kuehl. The program offers a 5% preference credit (bonus points) on non-federal negotiated procurements and a 5% price reduction, for evaluation purposes only, on competitive low-bid procurements greater than $100K with Small Business Enterprise (SBE)/Disabled Veteran Business Enterprise (DVBE) goals.

LSBE Designation

To qualify, a firm must be Metro-certified as an SBE, headquartered in Los Angeles County, and have conducted and managed all of its operations from that location for at least six months prior to

receiving LSBE designation. At the time of the program's rollout, firms originally certified as a Metro SBE that met the LSBE requirements were automatically granted the designation. The LSBE Preference Program applies to non-federally funded state and local solicitations.

Metro only grants LSBE designation to a firm that demonstrates it meets all eligibility criteria. Metro reserves the right to request additional information deemed necessary to determine if a firm meets the eligibility for the LSBE designation. Metro also reserves the right to conduct an on-site visit to verify eligibility or continued eligibility as an LSBE.

LSBE Program Applicability

The LSBE Preference Program applicability is outlined in Table 1 below:

Table 1 LSBE Applicability (Non Federal RFPs, RFQs, and IFBs)

Action Type	Threshold	LSBE Requirement	Preference Type	Preference Amount	Federal	Non-Federal
Request for Proposal (RFP)	>$100,000	LSBE Prime or Non-LSBE Prime that subcontract at least 30% of contract value with LSBEs	Bonus Evaluation Points	5% (or 5 pts. added to total score	No	Yes
Invitation for Bid (IFB)			Bid Price Reduction (For Evaluation Only)	5% bid price reduction		

DISCUSSION

Since its launch in August 2022, Metro's LSBE Preference Program has achieved strong outcomes. Following the passage of Assembly Bill 2271 (AB-2271) in January 2023, the program was expanded to cover state- and locally funded competitive low-bid procurements, resulting in measurable gains in both participation and impact. This expansion has positioned local small businesses to better compete for Metro contracts, advancing equity while strengthening the local economy. Together, these results underscore Metro's commitment to embedding equity in procurement, supporting local business growth, and fostering inclusive economic opportunity.

Program Trends and Performance

Throughout the three-year pilot (August 25, 2022 - June 30, 2025), DEOD has been tracking the number of solicitations issued with an LSBE preference and they have increased steadily, as reflected in Table 2 - Key Metrics below. From Requests for Proposals (RFPs) and Requests for Qualifications (RFQs) to Invitations for Bids (IFBs), LSBE participation is now more consistently and

strategically integrated into Metro's procurement process.

Table 2 - LSBE Program Key Metrics

LSBE Award Data	**FY23**	**FY24**	**FY25**	**Total**
RFPS solicited w/LSBE Preference	8	21	18	47
IFBS solicited w/LSBE Preference	1	6	4	11
RFQS solicited w/LSBE Preference	1	0	0	1
Total Solicitations with LSBE Preference	**10**	**27**	**22**	**59**
LSBE Primes	0	7	3	10
Non-LSBE Primes with ≥30% LSBE subcontracting	4	4	13	21
Non-LSBE Primes with ≤30% LSBE subcontracting	5	11	15	31
Number of LSBE Subcontractors	12	34	20	66
Total Dollars Committed to LSBEs	**$20,223,283**	**$72,817,209**	**$46,725,105**	**$139,766,197**
Average LSBE Prime Commitment (Percentage)	0.00%	72.30%	68.87%	47.05%
Average LSBE Commitment (Percent)	16.76%	12.63%	14.38%	14.60%

LSBE Preference Program - Three-Year Pilot Outcomes

Based on an analysis of the LSBE metrics data in Table 2 above, staff has seen that Metro's LSBE Preference Program has generated measurable results, broadening opportunities for small businesses located in Los Angeles County, across Metro's contracting portfolio.

Key Outcomes (FY23 - FY25):

- *Expanded Solicitations:* A total of 59 solicitations included the LSBE preference (47 RFPs, 11 IFBs, and 1 RFQ). This consistent application across procurement types demonstrates the program's integration into Metro's contracting process.
- *Direct LSBE Prime Awards*: The program resulted in 10 LSBE prime contracts over the three-year pilot, with LSBE primes averaging a 47.05% LSBE participation rate on their awards.
- *Subcontracting Impact*: LSBE opportunities expanded beyond primes:

- 21 non-LSBE primes exceeded 30% LSBE subcontracting, showing strong alignment with program goals.
- 31 non-LSBE primes included LSBE subcontractors below 30%, reflecting room for growth.

- *Broad Access for Local Firms*: During the pilot, 66 LSBE subcontractors participated, reinforcing that opportunities were spread across a wide pool of firms rather than concentrated among a few.

- *Economic Impact*: *The* program generated more than $139.7 million in commitments to LSBE firms. The highest annual commitment was in FY24 ($72.8 million), but all three years demonstrated significant investment in local businesses.

- *Sustained Commitments*: Overall, LSBE subcontractor commitments averaged 14.60% participation across contracts, and remained in a steady range of 12-17%.

Program Effectiveness and Strategic Insights

The LSBE Preference Program has proven highly effective in advancing Metro's goals of equity, economic growth, and inclusive procurement while also offering important insights to guide future improvements.

- *Expanding Access and Driving Equity*: The program has expanded opportunities for local small businesses to compete as both primes and subcontractors. Thus ensuring contracting opportunities extend equitably to a wider range of small and diverse businesses.

- *Economic Growth and Impact:* Nearly $140 million in commitments to LSBE firms demonstrate tangible contributions to the local economy, supporting job creation and business development. LSBE primes are successfully winning contracts, while an even larger impact is seen in non-LSBE primes subcontracting to LSBEs-evidence that the program is reshaping procurement culture across all contractors.

- *Opportunities for Growth:* While some non-LSBE primes exceeded 30% LSBE subcontracting, others fell below this threshold. This gap highlights opportunities to encourage or incentivize higher LSBE participation among underperforming firms, ensuring more consistent results across the program.

- *Alignment with Metro's Broader Goals:* The success of the LSBE Preference Program directly supports Metro's "48 by '28" Eight-Point Plan, which aims to achieve 48% small business participation by 2028. By strengthening local small business participation, Metro ensures transportation dollars remain in-and benefit-the communities we serve.

The results of the pilot provide strong evidence that the LSBE Preference Program is achieving its objectives and delivering lasting benefits to the region. Staff therefore recommends that the Board make the LSBE Preference Program permanent to sustain momentum, deepen impact, and advance Metro's commitment to equity and economic growth.

LSBE Designation Audit Review

When the Board approved the implementation of a three-year pilot Local Small Business Enterprise (LSBE) Preference Program in February 2022, it directed staff to conduct an external audit to ensure that eligible firms met the program's core requirement of being headquartered in Los Angeles County for at least six months.

Through Metro's Audit Management Services Department (MASD), the Diversity & Economic Opportunity Certification Unit commissioned an external audit of firms designated as LSBEs. The audit reviewed 1,110 firms in two phases: 560 firms (50%) in September 2024 and 550 (50%) firms in July 2025. Of these, 1,048 firms (95%) were confirmed as appropriately designated LSBEs, while 52 firms (5%) had the LSBE designation removed.

Although the audits confirmed a strong level of compliance, they also identified opportunities to strengthen verification practices, which was primarily vetted through the review of tax returns, business license, and other financial documents. Specifically, auditors recommended collecting new documentation that provides greater accuracy of a company or business' primary location, including:

- Utility bills from the first and sixth months of operations,
- Lease agreements, if applicable, and
- Reliable state filings such as Statements of Information for Corporations and LLCs.

In response to the September 2024 audit report, Metro updated its LSBE policies and procedures to incorporate these recommendations. Effective January 1, 2025, all firms seeking to maintain or obtain LSBE designation must submit Metro's Supplemental Questionnaire, supporting documentation such as utility bills and lease agreements, and the most recent Statement of Information (for Corporations and LLCs). Metro also established an LSBE Quality Assurance process, requiring an annual review of documentation to ensure continued eligibility. Staff sent notices to the SBE database in December 2024 to inform the small business community of the new LSBE pilot policy changes and requirements. These changes were also announced during Metro's monthly How To Do Business with Metro Workshop and updated on Vendor Portal.

The external audits, combined with Metro's policy enhancements, have significantly strengthened the LSBE Preference Program's verification standards. These actions ensure the accuracy and integrity of LSBE designations, while reinforcing Metro's commitment to supporting qualified local small businesses in Los Angeles County.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

There is no financial impact with the approval of this recommendation.

EQUITY PLATFORM

Metro's Local Small Business Enterprise (LSBE) Preference Program plays a critical role in advancing regional economic equity by keeping more transportation dollars circulating within Los Angeles County while also expanding opportunities for firms that have historically faced barriers to entry in the transportation industry. The program does this by building on Metro's Small Business Enterprise (SBE) certification, which already targets firms that are small, diverse, and often disadvantaged. Currently, 71% of Metro-certified SBEs are also certified as DBEs, demonstrating a strong overlap between local small businesses and historically underrepresented firms. By focusing on local SBEs, the program supports regional economic recovery, strengthens the small business sector, and fosters long-term wealth-building in economically and socially disadvantaged communities. Metro now maintains a registry of 2,356 certified SBEs (up 5% from the last reporting), of which 1,191 firms hold LSBE designation (up 6%), and 1,671 are certified as DBEs. Approximately 900 or 75% of LSBE firms are headquartered within Equity Focus Communities (EFCs).

This overlap between DBE, SBE, and LSBE certification categories enables a powerful equity multiplier effect. By embedding local small businesses into a broader range of procurement types, including construction, commodities, professional services, and low-bid contracts, Metro is actively building an inclusive procurement ecosystem.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it supports small, local businesses by providing them with access to contracting opportunities and helping them grow their capacity to participate in Metro's large-scale infrastructure projects and day-to-day operations. In addition, supporting local businesses supports job creation in LA County and may increase the percentage of our workforce that is able to commute using LA Metro's transit system and reduce car dependence for these workers. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations support strategic plan Goal 5.5, “Expanding opportunities for businesses and external organizations to work with Metro”.

ALTERNATIVES CONSIDERED

The Board could elect not to approve the Local Small Business Enterprise (LSBE) Preference Program. This is not recommended as it would limit Metro’s ability to advance equity in procurement, support local business growth, and foster inclusive economic opportunity.

NEXT STEPS

Upon Board approval, staff will proceed to transition the LSBE Preference Program from pilot status to a permanent program.

ATTACHMENT

Attachment A - Motion 31

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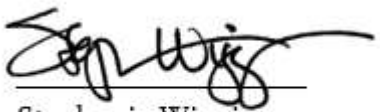

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CONSTRUCTION COMMITTEE MEETING
OCTOBER 21, 2021

Motion by:

DIRECTORS HAHN, DUPONT-WALKER, BUTTS, MITCHELL, DUTRA, AND KUEHL

Local Preference

Every year, Metro pays hundreds of millions to contractors to build, operate, and plan transportation projects across Los Angeles County. Most of this comes from local sales taxes, which we all pay into to address our infrastructure needs.

In May 2021, the US Department of Transportation (DOT) authorized a four-year pilot program allowing agencies like Metro to use Federal dollars for local hire, to target these resources for workforce development in the communities where our transportation projects are being built.

As LA County emerges from the COVID-19 pandemic, it is more important than ever to support local economic opportunity, to ensure a path to economic recovery that especially targets communities where our transportation projects are being built and in economically and socially disadvantaged communities.

State law disallows the use of local preference in procurements awarded to the lowest bidder, and it is silent on giving local preference when procurements are awarded based on an array of criteria that are not limited to the lowest bidder.

So we can maximize our ability to support our region's local economic opportunity with regional transportation dollars, Metro should give local preference on applicable procurements. Doing this involves possible changes to Metro policies and State and Federal laws and regulations.

SUBJECT: LOCAL PREFERENCE

RECOMMENDATION

APPROVE Motion by Directors Hahn, Dupont-Walker, Butts, Mitchell, Dutra, and Kuehl that directs the CEO to:

A. Survey local preference best practices nationally and make recommendations for local preference

criteria;

B. Evaluate and recommend changes to Metro policies regarding advancing local preference in small, medium, and disadvantaged business contracting;

C. Review State and Federal laws and regulations and make recommendations for inclusion in future Federal and State Legislative Priorities; and,

D. Report back on these requests in February 2022.

Local Small Business Enterprise (LSBE) Preference Pilot Program Update

Executive Management Committee

October 16, 2025

Metro

RECOMMENDATION / BACKGROUND

Receive and File the Local Small Business Enterprise (LSBE) Preference Program Pilot Final Report, and

Approve the Local Small Business Enterprise (LSBE) Preference Program

Background:

- Launched: August 2022
- Purpose: Expand opportunities for Local Small Business Enterprise
- Policy Expansion: Extended preference to state/local low-bid procurements in Jan 2023
- Applies to non-federally funded negotiated (RFP) and competitive low bid (IFB) procurements greater than $100,000 with SBE/DVBE goals

Metro

LSBE DESIGNATION

To qualify as a LSBE:

- A firm must be SBE certified with Metro and headquartered in the County of Los Angeles for at least the last 6 months prior to receiving the designation
- Headquartered means that the business physically conducts and manages all its operations from a location in the County.
- To maintain the LSBE designation or if seeking the LSBE designation for the first time, firms are required to submit supporting documentation (i.e. Metro's Supplemental Questionnaire, Utility Bills, and Lease Agreements, etc.)

Metro

LSBE PREFERENCE APPLICABILITY

The 5% LSBE Preference is applied in two ways:

As a bid price reduction (for evaluation purposes only) on low-bid procurements; or

As bonus points added to the total score during the evaluation for negotiated procurement

To be eligible for the LSBE preference, Offerors must meet one of these LSBE requirements:

(1) LSBE Prime; or

(2) Non-LSBE Prime that subcontracts at least 30% of its contract value with LSBE subcontractors

Key Outcomes

Total Solicitations	LSBE Primes	Non-LSBE Primes w/>30% LSBE subcontracting	LSBE Subcontractors	Total Dollars Committed to LSBEs	Avg. LSBE Commitment
59 (47 RFPs, 11 IFBs, 1 RFQ)	10 awards, avg. LSBE commitment 47.05%	Twenty-one	Sixty-six	$139.8M	14.60%

Program Effectiveness

Expanding Access	Driving Equity	Economic Growth	Sustainable Practice
More LSBEs competing as primes & subcontractors	Contracts more evenly distributed	$139.8M in commitments, supporting jobs and local growth	Consistently applied across RFPs, IFBs, RFQs

Strategic Insights

Preference influences both primes and subcontractors	High-dollar solicitations drive greatest LSBE impact	Gap exists between primes >30% and <30% subcontracting	Broad subcontractor pool (66 LSBEs engaged)	Program scalable and sustainable across procurement types	Strong alignment with equity & economic development goals

Q & A

Thank you

Metro