Board Report

File #: 2025-0077, **File Type:** Motion / Motion Response **Agenda Number:** 23.

EXECUTIVE MANAGEMENT COMMITTEE
MAY 15, 2025

SUBJECT: ANNUAL STATUS REPORT OF 48 BY ’28 PLAN

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE annual status report on the 48 by ’28 Plan.

ISSUE

This update provides a status report on the implementation and launch of ongoing initiatives in the 48 by ’28 Plan which incorporates the status of the recommendations from the 2023 Disparity Study Report, including the development of a three-year pilot Micro Small Business Program and certification designation.

BACKGROUND

Increasing the percentage of transportation dollars that remain in the region and within economically and socially disadvantaged communities is vital to LA County and aligns with the Board-Approved Equity Platform. To support this effort, the Board passed Motion 43 by Directors Solis, Hahn, Dupont-Walker, Sandoval, and Butts in December 2021 requesting staff to develop a policy to ensure Metro’s capital program accelerates the increase of small and disadvantaged business participation by directing as many contract and procurement dollars as possible toward small and disadvantaged businesses (Attachment A).

In May 2022, the Board adopted the 48 by ’28 8-point Plan that contained initiatives aimed at achieving a 48% aspirational target of small business participation on Measure R and Measure M funded expenditures by the 2028 Games. Through partnership with local jurisdictions, Metro seeks to increase the percentage of transportation dollars that remain in the region and within economically and socially disadvantaged communities.

In September 2022, the Board received the Office of the Inspector General’s (OIG) Final Report on the Survey of Small Business Enterprise (SBE) Certification Programs and Exploring Opportunity for Reciprocity. The objective of this survey was to determine whether Metro and selected government agencies could increase reciprocity of SBE certifications, simplify the certification process, and increase SBE participation.

In July 2023, the Board issued Motion 24 by Directors Hahn, Dupont-Walker, Solis, Butts, and Sandoval directing the Chief Executive Officer to provide progress updates on the implementation of the initiatives laid out in the 48 by '28 Plan and the recommendations included in the OIG survey, along with developing an annual, fiscal year-end report on the agency's progress toward reaching the 48% target by 2028 (Attachment B).

In February 2024, staff provided a progress update, in response to Motion 24, that included the fiscal year-end report on Metro's progress towards the 48% aspirational target for small business participation by 2028. This report back also concluded the assessment of the OIG recommendations, with continuing efforts by staff to finalize the BART MOU and SBE certification program changes.

In March 2024, the Board received the 2023 Disparity Study that included the seven recommendations described below, which staff reported would become part of the future progress updates on the 48 by '28 Plan. One recommendation triggered the request and authorization to pilot the Micro Small Business Program.

This report is the annual progress report on all components of the 48 by '28 Plan, inclusive of the additional recommendations stemming from the 2023 Disparity Study.

DISCUSSION

Metro staff continues to implement and advance the eight initiatives outlined in the 48 by '28 Plan, and the seven recommendations contained within the 2023 Disparity Study, in an effort to reduce barriers and increase the utilization and participation of small and disadvantaged businesses in Metro contracting.

Status update for the initiatives within the 48 by '28 Plan:

1. Roll-Out 15-Day Pay Initiative for Small Business Enterprises (SBE) as Prime: Status - Complete

The 15-Day Pay Initiative was launched on January 16, 2024, for Metro certified SBE primes and was expanded to include DBE primes on May 1, 2024. Since inception, 114 SBE firms, and 9 DBE firms have been awarded a contract/purchase order as a prime and were eligible to receive net 15 payment terms.

2. Explore the feasibility of increasing the SBE Certification Personal Net Worth and a potential SBE Certification Reciprocity with the Los Angeles Unified School District: Status - Complete

The U.S. Department of Transportation (USDOT) DBE Final Rule effective May 9, 2024, aimed to improve program implementation, inclusive of updating of the personal net worth (PNW) and size standards for inflation. The final rule also updated certification provisions with less prescriptive rules giving certifiers flexibility when determining eligibility and making corrections to commonly

misinterpreted rules.

- **PNW Increase**: Notably, the personal net worth (PNW) threshold increased from $1.32 million to $2.047 million, reflecting a 55% increase. The new PNW calculation excludes retirement assets and equity in a primary residence. Moving forward, the DOT will adjust the PNW threshold every three years using federal reserve data, eliminating the need for further rulemaking. Since Metro's SBE program mirrors the DBE program, these changes were also incorporated into Metro's SBE Program effective May 9, 2024.

- **Elimination of the 5-Year Review Requirement:** The Final Rule also introduced new restrictions on certifiers' ability to conduct recertifications. To align with federal regulations and reduce the burden on certified firms, the California Unified Certification Program (CUCP) members, including Metro, have eliminated the 5-Year Review requirement for DBE and SBE firms, effective August 1, 2024. Instead of the 5-Year review, all firms will now be required to submit an Annual Declaration of Eligibility (DOE) to maintain their certification.

  Metro anticipates that these changes will benefit the small business community by making it easier for more firms to obtain and retain DBE and/or SBE certification. With firms now being required to only submit an Annual Declaration of Eligibility (DOE) once certified, the burden of gathering additional documentation and undergoing a comprehensive review is reduced, allowing firms to focus more on their business.

  As a result of these adjustments, Metro has seen a decrease in the number of certified firms being removed from the program each month. Overall, 249 new firms have already been granted SBE and/or DBE certification in FY25, surpassing the number of firms certified in FY 24. Currently Metro has 2,302 certified firms.

- **BART SBE Reciprocity:** In a significant development, Metro successfully implemented a Memorandum of Agreement (MOA) with Bay Area Rapid Transit (BART) for SBE Reciprocity with BART. Effective January 1, 2025, approximately 279 firms certified as SBEs with BART are now eligible to participate in Metro's SBE Program. This partnership creates more opportunities for small businesses and reduces the burden on firms by eliminating the need for separate certifications.

  A notice regarding the SBE reciprocity with BART was sent to all certified and non-certified Metro vendors, Metro's Vendor Portal was updated to include a link to BART certification directory, and solicitation language was also updated, informing firms of this development and encouraging those who have not yet applied to pursue SBE certification.

- **Regional Collaboration (Reciprocity):** Metro engaged with the City and County of Los Angeles' Certification units to discuss and assist in developing strong criteria for their SBE programs to align with Metro's SBE standards, with the goal of establishing reciprocity. Due to Metro's personal net worth requirement, the City and County of Los Angeles expressed some concern with modifying their existing SBE program. While SBE reciprocity is not yet feasible, the City and County of Los Angeles have shown openness to discussing criteria and the potential for reciprocity in future Metro certification initiatives.

  In FY25, Metro shifted its focus to collaborating with the CA Equity in Infrastructure Project (EIP) reciprocity committee, which includes local and regional partner agencies, to explore ways to harmonize SBE programs and pursue SBE reciprocity. Additionally, Metro joined a Certification Coalition with the City of Los Angeles and other local certifying and non-certifying agencies to address certification challenges and streamline the process for small businesses.

  Looking ahead, Metro will continue leading conversations with agencies statewide to encourage them to adopt and learn from Metro's SBE program. Metro will also work toward establishing reciprocity with more agencies to further support the small business community.

- **Outreach:** On November 14, 2024, Metro hosted its first ever Thrive Summit: Women in Contracting - Connect, Empower, Elevate. This milestone event was attended by approximately 130 women from diverse backgrounds and emphasized the power of collaboration and action. Key takeaways from the summit included the importance of addressing barriers head-on and fostering dialogue. Metro demonstrated its commitment to empowering women in business through continued effort and intentionality. The ripple effects of these conversations will extend beyond the supply chain and create a lasting community impact.

3. Coordination of Efforts with Los Angeles Area Chamber of Commerce OneLA Collaborative: Status - Complete

Metro will continue its efforts to collaborate with the Chamber and find ways to assist and encourage OneLA participants to apply for certification with Metro. Metro is also partnering with the Chamber on the Get in the Game LA Supplier Resource Hub, whereby a link to Metro's Vendor Portal has been added to the portal.

4. Enhancing the Reach of Metro's Small Business Outreach Efforts by Advertising Metro Events on the City of Los Angeles' RAMP Portal: Status - Complete

Since the last report, Metro has advertised seven Outreach events on the RAMP Portal. Metro will continue to share its outreach and look for additional ways to utilize the platform.

5. Engage Local Return and Transit Operators:

Status - Ongoing Report Annually

In coordination with Local Programming within Countywide Planning & Development, DEOD issued a fourth survey to the local jurisdictions in September 2024. The survey included 21 questions. The questions focused on gathering data specific to the local jurisdiction's use of Local Return funds and how Metro can further assist with outreach to the small business community. The survey received 52 responses. Additionally, staff presented during the February 5, 2025, meeting of the Local Transit Systems Subcommittee (LTSS) to discuss the purpose of the survey and to introduce a new reporting tool that can be used by the local jurisdictions.

Key findings from the 2024 survey are summarized below:

- 93% of survey respondents indicated that the local jurisdiction received Local Return funds during FY24 from July 1, 2023 - June 30, 2024.
- 8% of survey respondents indicated the local jurisdiction awarded contracts to SBE firms with Local Return funds.
- 18% of survey respondents indicated they utilize Metro's certification database as a tool to identify SBE firms for local return contracting opportunities.
- More than 80% of survey respondents lack the tools to track Local Return funds awarded to SBE firms.
- Survey respondents were asked to identify the categories for which Local Return funds were used. In summary, the top three responses among respondents were: Construction (29%), Operations (34%) and Professional Services (8%). The remaining 29% was a combination of all three and also included materials/supplies.

When asked how Metro can provide support to increase regional SBE participation in Local Return funded contracts, top responses included:

- Increase outreach and promote the program more in order to prioritize projects that fund SBEs
- Make the eligible uses of local return funds more flexible
- Provide program information on an annual basis with the ability to streamline the contracts;
- Provide a list of SBE firms that can be utilized;
- Provide training on identifying and tracking to increase participation of SBEs, including how to become an SBE;
- Disseminate information to SBEs to subscribe to bidding portals, such as OpenGov so the SBEs can be notified when a bid is released;
- Allow the Cities to piggyback on the winning bids on the top 5 uses for local return funds;
- Obtain a list of categories that local return funds are expended, and Metro reach out to the SBEs that provide those services.

In FY26, staff will continue efforts to engage and educate the local jurisdictions about its SBE Program. Staff will consider hosting a Small Business Summit for the local jurisdictions before the end of the current fiscal year. Additionally, staff remain available to provide technical assistance, workshops/webinars and assistance with tracking SBE spend.

6. Enhance Capacity Building and Access to Capital:

Status - Complete

The Contract Financing Assistance Program (CFAP) was launched in September 2023 as a resource that will extend contract financing to certified SBE, DBE and Disabled Veteran Business Enterprise (DVBE) firms awarded or currently performing on a Metro construction or construction professional services related contract, either as prime contractor to Metro or as subcontractor. Since its launch, one small business has successfully obtained financing through a CFAP loan. Metro will continue to highlight the program in its outreach efforts as a tool to help alleviate cash flow challenges for small businesses.

7. Encourage Support for Federal Program Changes:

Status - Ongoing Report Annually

Consistent with Board-adopted policies to increase small and disadvantaged business participation, including the Board's adoption of the "48 by '28: Increasing Small and Disadvantaged Business Participation," Metro's federal advocacy in Washington, DC will continue to be supportive of efforts in this regard. Specifically, in 2025 Metro will closely follow the U.S. Department of Transportation actions related to small business enterprises outreach - especially as it relates to highway and transit projects using federal funding. During the 119th Congress, Metro will be collaborating with a variety of stakeholders on Capitol Hill, including but not limited to U.S. Senator Alex Padilla (D-CA), regarding efforts to enable businesses owned by socially and economically disadvantaged individuals to fairly compete for contracts and subcontracts being funded by the U.S. Department of Transportation.

While opportunities to reform federal transportation programs related to small and disadvantaged businesses may continue to be limited because of political stalemates across Capitol Hill, Metro will continue to explore how to advance our policy initiatives related to our Board-adopted position 48 by '28 Plan within the context of congressional efforts to craft a new surface transportation authorization bill that will serve to replace the Bipartisan Infrastructure Law that expires in September of 2026.

8. Increase Small Business Program Regional Attainments:

Status - Ongoing Report Annually

In FY24, Metro awarded contracts totaling $991,180,404, of which $278,239,646, or 28.07%, was awarded to small businesses across all SBE programs. By comparison, in FY23, Metro awarded $160,472,091 in contracts, of which $56,816,702 - 35.41% was awarded to SBE firms, which demonstrates a 7.34% decrease in awards to SBE firms. Additionally, survey data showed that local jurisdictions received a total of $354 million in Local Return funds. Of this amount, they reported awarding only $2.37 million-or 1.98%-to SBE firms in FY24.

While the total dollars awarded to small businesses regionally increased by 294.5% from $71.1M in FY23 to $280M in FY24, the percentage of awards to SBE firms decreased by 5.36% from 35.41% to 30.05% for this same period, as reflected in the tables below.

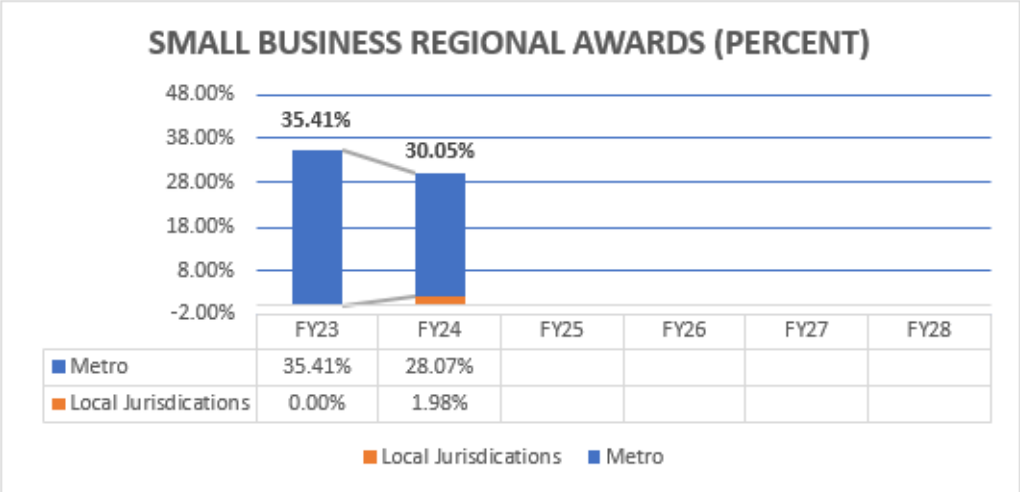
Table 1



	FY23	FY24	FY25	FY26	FY27	FY28
Local Jurisdictions	$14,300,000	$2,373,279				
Metro	$56,816,702	$278,239,646				

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Table 2



The data indicates a substantial increase in the total value of contracts awarded by Metro from FY23 to FY24. However, there was a decline in the percentage of contracts awarded to SBEs. Further analysis revealed that seven contracts were awarded in this period without any SBE goals or commitments. These contracts primarily involved specialized professional services, operations, and small material purchases, for which Metro did not set SBE goals due to a lack of certified firms available to perform the required work.

To address this, Metro will continue its targeted outreach recruitment efforts in sectors where certified small businesses are underrepresented or absent. Additionally, staff will continue collaborating with Cabinet Liaisons during the procurement planning process, as part of a shared responsibility, to identify opportunities for unbundling large contracts to increase SBE participation.

Metro will also maintain engagement with local jurisdictions to promote the inclusion of SBEs in contracting opportunities, particularly those funded through Local Return, to help achieve regional aspirational targets. Furthermore, staff is considering hosting a Small Business Summit for local jurisdictions in the first quarter of FY26 to support these goals.

Status update on the recommendations from the 2023 Disparity Study:

Recommendation 1 - Bench contracts: Consider implementing a rotation system for bench contracts to ensure that each business on a bench gets work. Metro could consider developing benches comprised exclusively of small and disadvantaged businesses.

- Metro currently has four bench contracts being implemented on a rotational system, as opposed to the standard bench contract approach, where task orders are awarded based on a competitive acquisition process. Metro also has one bench contract comprised of only small and disadvantaged businesses as primes. Staff will continue to encourage cabinet departments to consider these types of bench options, where appropriate.

Recommendation 2 - Technical assistance support: Metro should provide more detailed information or training on how to bid with the agency.

- Staff is finalizing the Statement of Work and will be seeking a consultant to develop and administer Metro's Small Business Technical Assistance Program (SBTAP). The SBTAP will provide 1:1 technical assistance to small and disadvantaged businesses during the performance of their subcontract. The procurement is currently in the pre-solicitation phase, and staff aims to bring the recommendation for award to the Board in FY26 Q2.

Recommendation 3 - Microbusiness Program - Scheduled to launch in July 2025: Metro could consider adding an additional certification classification for microbusinesses with smaller revenue requirements.

- Anecdotal evidence from the 2023 Disparity Study suggested that, due to the large range of small business size standards, smaller SBEs are often unable to compete with larger SBEs and that Metro could consider adding an additional certification classification for microbusinesses with smaller revenue requirements. As such, Metro developed the three-year Local Micro Small Business Enterprise (LMCSBE) Program that will set aside certain opportunities exclusively for microbusiness competition.

  To determine business size eligibility for the LMCSBE program, a review of best practices for microbusiness size across California and the United States was conducted. That review found that the majority of existing microbusiness and emerging business enterprise programs across the country establish a threshold of 25 or fewer employees for eligible businesses. Revenue threshold requirements also varied across the country and California, ranging from $500,000 to $6 million in average annual gross receipts. Additionally, a review of the business sizes of firms that were available to compete for and participate in Metro contracts and procurements revealed that 50 percent of firms with fewer than 100 employees reported under $1 million revenue annually, while around 70 percent reported revenues of $3 million or less annually. Staff established a business size threshold of $1 million in average gross annual receipts and 25 employees.

  To develop the contract threshold for the LMCSBE program, a review of best practices for microbusiness programs across California and the United States was conducted. Additionally, an analysis of disparity study data found that more than 60 percent of firms with 100 employees or fewer and annual revenues of $1 million or less were able to compete for contracts up to $500,000. Staff established a contract threshold of $3,000 - $50,000 for the three-year pilot.

  The LMCSBE Program will be applied to non-federally funded (State/Local) competitively negotiated and competitive low bid procurements of $3,000 to $50,000 (Informal Acquisitions), based on the availability of local micro small businesses, as a subset of the Small Business

Prime (Set-Aside) Program.

Local Micro Small Business Enterprise Threshold Chart
Non-Federally Funded Acquisitions (IFB/RFP/RFQ)

Bid Type	Micro Business Program Thresholds		
	# of Employees	Business Size	Informal Acquisitions
Competitively negotiated procurements (RFP); Request for Quote (RFQ)	25 or fewer	$1 million average annual gross receipts	$3,000 - $50,000
Competitive low bid procurements (IFB)			$5,000 - $50,000

Since Metro already has a size-based certification standard in place, the addition of a microbusiness designation will not require the development of a new certification program or any significant modifications to its current small business certification program. Currently, as part of SBE certification, Metro gathers information pertaining to business size in terms of both employees and revenue (in terms of average gross annual receipts). As part of the implementation process, Metro will automatically grant currently certified SBEs that meet the size standards, the LMCSBE designation. Additionally, Metro will adapt its current certification practices to ensure that microbusiness status is appropriately captured through the small business certification process moving forward.

In order for firms to qualify for Metro's LMCSBE Program, the firm must first be SBE certified with Metro. In addition to meeting Metro's SBE race and gender-neutral eligibility requirements, the firm must be:

- Headquartered in the County of Los Angeles. Headquartered means that the business physically conducts and manages all of its operations from a location in the County.
- The firm's headquarters must be in Los Angeles County for at least the last six months.

Currently, Metro has 2,302 SBE certified firms, including a total of 1,275 firms certified in the County of LA that may qualify under Metro's LMCSBE Program. Staff analyzed all LSBE certified firms and found that 750 firms, representing 59% of current LSBE certified firms, met Metro's proposed LMCSBE certification criteria. Staff will continue to discuss opportunities for reciprocity with local and regional agencies, where possible.

The proposed framework for the LMCSBE Program was presented at the monthly General Meeting for the Transportation Business Advisory Council (TBAC) in December 2024, and then again during an Ad-hoc Committee meeting on January 19, 2025. TBAC members asked Metro to consider having a local component to the micro program, and staff agreed.

Recommendation 4 - New Business: Consider using bid and contract language to encourage prime contractors to partner with subcontractors and suppliers they have never worked with previously.

- Staff benchmarked four agencies regarding language incorporated into solicitations to encourage prime contractors to partner with small and disadvantaged businesses they have never worked with before: Bay Area Rapid Transit (BART), Washington Metropolitan Area Transit Authority (WMATA), Chicago Transit Authority (CTA), and Los Angeles World Airports (LAWA). Based on discussions with these four agencies, a significant increase in outreach initiatives has been the primary course of action leading primes to partner with small and disadvantaged businesses they had not worked with before. Initiatives such as Project Specific Industry Forums, Meet the Prime Workshops, Meet the Buyers Workshop, Technical Assistance Programs, Certification Workshops, Local Small Business Enterprise Program, Small Business Workshops, and Small Business Roundtables are just a few of the platforms that have been implemented to increase the pool of small and disadvantaged businesses a prime contractor has never worked with before.

Recommendation 5: Unbundling Contracts: Consider expanding the current efforts to unbundle relatively large prime contracts-and even subcontracts-into several smaller, focused contracts.

- Unbundling continues to be encouraged as a component part of the Set Aside Program. Metro DEOD staff will continue to work with the Cabinet Liaisons in the procurement planning process to evaluate the potential opportunities for unbundling large contracts.

Recommendation 6 - Inflation: Consider adjusting contract prices to account for inflation on projects that span a certain number of years to allow for equitable adjustment considerations for DBEs.

- Vendor/Contract Management (V/CM) staff assess this with the Project Manager, during the planning of each procurement for a multi-year contract to determine whether or not it is appropriate, based on current market conditions, to include an escalation clause in the contract for any labor or materials. Any escalation clause will need to be tied to a published market index that is appropriate for the designated labor or materials. Metro has used an escalation clause, that may be exercised at Metro's sole discretion, in multi-year cost reimbursable plus fixed fee contracts for professional A&E services that is tied to a published index (i.e. Bureau of Labor Statistics Employment Cost Index, as documented on <http://www.bls.gov/news.release/eci.t13.htm> for private industry workers, wages and salaries only in the West, Los Angeles-Long Beach-Riverside Region) with a cap on the allowable increase.

Recommendation 7 - Pre-Qualification Requirements: Consider only applying Pre-Qualification requirements to larger contracts to reduce the administrative burden on small and disadvantaged businesses competing for work.

- To streamline and improve the procurement process, effective January 1, 2025, V/CM increased the Pre-Qualification threshold from $100,000 to $500,000. By increasing the

Pre-Qualification threshold, immediate benefit was realized for our vendor community, especially our small businesses. In the past two fiscal years, an average of 35% of all reviews conducted by Pre-Qualification staff fell within the $100,000 to $499,999 range, with 15% of those attributed to small businesses. This would be of benefit to our vendor and small business community since it would eliminate the prequalification review for contracts under $500,000.

- Metro remains deeply committed to advancing the initiatives outlined in the 48 by ’28 Plan and the recommendations of the 2023 Disparity Study. This annual progress report reflects both meaningful achievements and ongoing areas of opportunity in our collective effort to reduce barriers and expand access for small and disadvantaged businesses. As we look toward 2028, Metro will continue to foster inclusive, equitable, and transparent procurement practices, pilot innovative programs like the Local Micro Small Business Enterprise (LMCSBE) initiative and strengthen regional collaboration. Through these sustained efforts, Metro reaffirms its dedication to economic empowerment, local job creation, and ensuring that transportation dollars remain in and benefit the communities we serve. We look forward to continued progress, accountability, and partnership as we work to reach our aspirational goals.

EQUITY PLATFORM

Metro's 48 by '28 Plan is designed to increase the percentage of transportation funds that stay within the region and benefit economically and socially disadvantaged communities. Recognizing the significant financial challenges and barriers that small businesses face, Metro’s small business programs are aimed at reducing these obstacles and ensuring more equitable access to Metro's projects, particularly for businesses owned by minorities, women, veterans, and other underrepresented groups. By fostering fair and competitive contracting processes, Metro empowers historically marginalized communities, supports local economic development, creates jobs, and encourages entrepreneurship. This inclusive approach helps Metro achieve its goals while promoting economic growth and building a more sustainable and equitable business environment across Los Angeles County.

In FY24, of all Metro contracts awarded, 28.07% or $278,239,646 were awarded to small business enterprises (SBEs) through Metro's small business programs. During this period, 233 SBEs received contracts, of which 182 (78.11%) were also disadvantaged business enterprises (DBEs). Currently, Metro has 2,128 certified SBEs, with 1,815 of them also certified as DBEs. As a result, 85% of Metro’s SBE-certified firms are minority and/or women-owned.

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, disadvantaged, minority-owned, and women-owned 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 the highway performance monitoring system data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This report supports strategic plan Goal 5.5, "Expanding opportunities for businesses and external organizations to work with Metro."

NEXT STEPS

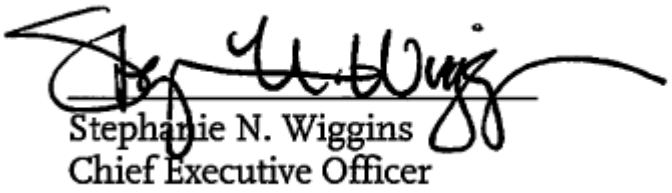
Staff will continue to implement ongoing Initiatives of the 48 by '28 Plan and the disparity study recommendations and provide status updates annually.

ATTACHMENTS

Attachment A - Motion 43
Attachment B - Motion 24

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Board Report

File #: 2021-0766, **File Type:** Motion / Motion Response **Agenda Number:** 43.

REGULAR BOARD MEETING
DECEMBER 2, 2021

Motion by:

DIRECTORS SOLIS, HAHN, DUPONT-WALKER, SANDOVAL, AND BUTTS

48 by ‘28: Increasing Small and Disadvantaged Business Participation

The U.S. Department of Transportation (USDOT) requires state and local transportation agencies to establish goals for participation of disadvantaged business enterprises (DBE) on contracts and procurements supported by the USDOT. This DBE participation goal is determined by the state or local agency based on a variety of factors including the availability of qualified DBE’s. Metro re-evaluates its DBE participation goal every three years and the current goal covering Federal Fiscal Years 2022 through 2024 is 28 percent. Metro also has a Small Business Enterprise (SBE) program for projects without federal funds, which was first established in 1997 with an initial goal of 15 percent SBE utilization. Today, Metro’s overall SBE participation goal is 30 percent, and a participation goal of 3 percent for Disadvantaged Veteran Business Enterprises (DVBE) is also set any time an SBE goal is established for a contract. During any contract solicitation preparation process, Metro staff considers whether or not to establish a DBE, SBE and DVBE participation goal based on various factors such as funding type and availability of subcontracting opportunities. When these participation goals are established, they become a mandatory condition of award and awardees are expected to meet or exceed their participation goals over the duration of the contract. We further understand that firms can meet DBE goals by submitting satisfactory evidence of having conducted Good Faith Efforts. These goals are partly intended to help address the disparities between the number of available small, minority- and women-owned businesses qualified to do certain kinds of work and the actual proportion of Metro contract/procurement dollars that are awarded to them.

Over 90 percent of businesses in Los Angeles County are small businesses with less than 20 employees, and Los Angeles County has more minority- and women-owned businesses than any other county in the nation. Those businesses are truly representative of the County, where over 70 percent of the population is a person of color. More than 15,000 small businesses have reported temporary and/or permanent closure as a result of the pandemic, and communities of color have borne the brunt of COVID-19’s economic and public health impacts. In particular, Latinx individuals, who make up over 48 percent of the County, have seen severe impacts since the onset of the pandemic. In January 2021, daily death rates for Latinx communities in Los Angeles County exploded by 1,000 percent from 3.5 per 100,000 Latinx residents to 40 deaths per 100,000 Latinx residents. Small businesses, especially those in communities of color, have struggled to stay afloat and have been closing at higher levels due to drastically decreased revenues.

Metro is currently in the midst of delivering an ambitious program of capital projects called Twenty-Eight by ’28. This initiative mainly addresses planning, design and construction of projects and does not address where those contract dollars are going. With an $8 billion budget, Metro has the capacity to help accelerate recovery in Los Angeles County by directing as many contract and procurement dollars as possible towards small and disadvantaged businesses. To help accomplish this, Metro can establish a new policy objective to reach 48 percent participation by small and disadvantaged businesses on contracts and procurements.

SUBJECT: 48 BY ’28: INCREASING SMALL AND DISADVANTAGED BUSINESS PARTICIPATION

RECOMMENDATION

APPROVE Motion by Directors Solis, Hahn, Dupont-Walker, Sandoval, and Butts that the Board of Directors direct the Chief Executive Officer to establish an aspirational policy objective for Metro to reach 48% participation by small and disadvantaged businesses on contracts and procurements by 2028, and to report back in March 2022 with recommendations to achieve the goal.

Metro

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Board Report

File #: 2023-0462, **File Type:** Motion / Motion Response **Agenda Number:** 24.

REVISED
EXECUTIVE MANAGEMENT COMMITTEE
JULY 20, 2023

Motion by:

DIRECTORS HAHN, DUPONT-WALKER, SOLIS, BUTTS, AND SANDOVAL

48 by ’28 and Reciprocity Motion

More than 90% of businesses in Los Angeles County are small businesses, with fewer than 20 employees. In fact, LA County has approximately 250,000 small businesses that account for 43% of the local workforce.

With the passages of Measure R and Measure M, Metro is now undertaking a historic infrastructure capital program that provides numerous opportunities for businesses across the region to compete for projects that create thousands of jobs. Increasing the percentage of transportation dollars that remain in the region and within economically and socially disadvantaged communities is vital to LA County’s economic recovery and aligned with the Board-approved Equity Platform.

In December 2021, the Board adopted “48 by ’28: Increasing Small and Disadvantaged Business Participation” (2021-0766) by then-Board Chair Solis, Directors Hahn, Dupont-Walker, Sandoval, and Butts, to create Metro’s aspirational target to reach 48% participation by small and disadvantaged businesses on agency-wide contracts and procurements by 2028. That motion led to Metro’s “48 by ’28 Plan” (2022-0101), presented to and approved by the Board in May 2022. This plan laid out eight new initiatives that the agency intended to significantly increase the level of participation by small and disadvantaged businesses in Metro’s contracts.

Further, in September 2022, the Office of the Inspector General (OIG) provided a report (2022-0525) that offered findings regarding reciprocity for small business certifications across 10 California Unified Certification Program member agencies. That report raised concerns about the State Department of General Services (DGS) small business self-certification program, stating it “does not currently meet or exceed Metro’s SBE certification requirements or verification standards.” The report further provided a set of recommendations for next steps that Metro could undertake to advance reciprocity opportunities with other certifying agencies.

The eight initiatives laid out in the May 2022 “48 by ’28 Plan” include:

1. 15-Day Pay Initiative for SBEs as Primes,
2. Increasing SBE certification Personal Net Worth cap and potential certification

reciprocity with the Los Angeles Unified School District,
3. Coordination with the LA Area Chamber of Commerce's OneLA Collaborative,
4. Advertising Metro events on the City of Los Angeles' Regional Alliance Marketplace for Procurement (RAMP) Portal,
5. Engaging local return and transit operators,
6. Enhancing capacity building and access to capital,
7. Federal program changes, and
8. Increasing regional attainments.

The five recommendations provided for next steps in the September 2022 OIG report include:
1. Review and evaluate the Bay Area Regional Transit (BART) SBE certification process and standards to determine if reciprocity can be developed with them,
2. Work with the City and County of Los Angeles to harmonize their SBE programs and develop SBE certification reciprocity,
3. Consider leading an LA County SBE Certification Summit to discuss program terms, requirements, minimum standards, and reciprocity,
4. Continue to be a lead agency by making Metro's SBE program known to other agencies throughout the State and encourage them to accept Metro's SBE certifications, and,
5. Continue to review and evaluate California DGS small business self-certification program and standards to determine whether Metro can recognize or accept some DGS certifications without compromising Metro's own SBE certification standards.

The "48 by '28 Plan" was approved in May 2022, and the OIG offered its report regarding reciprocity in September 2022. The Board is warranted an update by Metro staff concerning the actions recommended in each of these reports to strengthen Metro's small and disadvantaged business programs while protecting their integrity.

SUBJECT: 48 BY '28 AND RECIPROCITY MOTION

RECOMMENDATION

APPROVE Motion by Directors Hahn, Dupont-Walker, Solis, Butts, and Sandoval that the Board direct the Chief Executive Officer to provide progress updates on the following:

A. Implementing the initiatives laid out in the May 2022 "48 by '28 Plan" to increase small and disadvantaged business participation in Metro contracts;

B. The recommendations included in the September 2022 Office of the Inspector General survey of small business enterprise certification programs; and

C. Developing an annual, fiscal year-end report on the agency's progress toward reaching the 48% target by 2028.

WE FURTHER MOVE that the Board direct the Chief Executive Officer to report back on the above directives in October 2023.

Annual Status Report: 48 X ‘28 PLAN

Executive Management Committee

May 15, 2025

Metro

BACKGROUND/HISTORY

- In December 2021, the Board passed Motion 43, directing staff to develop policies to expand small and disadvantaged business participation in Metro's capital projects.
- This effort was formalized in May 2022 with the "48 by '28 Plan," setting a goal of achieving 48% small business participation in Measure R and M-funded projects by the 2028 Olympics.
- Subsequent actions included a 2022 Inspector General report recommending improvements to SBE certification and reciprocity.
- In July 2023, Motion 24 required ongoing progress updates and an annual fiscal year-end report. By February 2024, Metro reported measurable progress and continued work on implementing certification improvements.
- In March 2024, the Board received the 2023 Disparity Study with additional recommendations, including piloting a Micro Small Business Program, which is now part of the overall effort.

This report is the annual progress report on all components of the 48 by '28 Plan, inclusive of the additional recommendations stemming from the 2023 Disparity Study.

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STATUS UPDATE FOR THE INITIATIVES WITHIN THE 48 BY ’28 PLAN:

	Top 8 Initiatives	Action	Status
1	Roll-Out 15-Day Pay	Implemented for SBE primes on January 16, 2024 and expanded to include DBE primes on May 1, 2024. Since inception, 114 SBE firms, and 9 DBE firms have been awarded a contract/purchase order as a prime and were eligible to receive net 15 payment terms.	**Completed**
2	Explore the feasibility of increasing the SBE Certification Personal Net Worth (PNW) and a potential SBE Certification Reciprocity with the Los Angeles Unified School District:	Effective May 9, 2024, the PNW threshold increased from $1.32 million to $2.047 million Metro entered into a Memorandum of Agreement (MOA) with Bay Area Rapid Transit (BART) for SBE Reciprocity, effective January 1, 2025. Metro will explore opportunities for reciprocity, where feasible.	**Completed**
3	Coordination of Efforts with Los Angeles Area Chamber of Commerce OneLA Collaborative	Metro will continue its efforts to collaborate the Chamber and find ways to assist and encourage OneLA participants to apply for certification with Metro. Metro has partnered with the Chamber on the Get in the Game LA Supplier Resource Hub, whereby a link to Metro’s Vendor Portal has been added to the portal.	**Completed**
4	Enhancing the Reach of Metro’s Small Business Outreach Efforts by Advertising Metro Events on the City of Los Angeles’ RAMP Portal	Metro has advertised seven (7) Outreach events on the RAMP Portal and will continue the partnership and explore additional ways to utilize the platform.	**Completed**
5	Engage Local Return and Transit Operators	Metro staff continues to engage local jurisdictions, through surveys. In coordination with Local Programming within Countywide Planning & Development, DEOD issued a fourth survey to the local jurisdictions in September 2024.	**On-going Report Annually**
6	Enhance Capacity Building and Access to Capital	The Contract Financing Assistance Program (CFAP) was launched in September 2023. One small business has successfully obtained financing through a CFAP loan and will continue to highlight the program in its outreach efforts as a tool to help alleviate cash flow challenges for small businesses.	**Completed**
7	Encourage Support for Federal Program Changes	Metro’s federal advocacy in Washington, DC will continue it support of efforts that enable businesses owned by socially and economically disadvantaged individuals to fairly compete for contracts and subcontracts being funded by the U.S. Department of Transportation. Metro is planning to host a DBE Program Summit in Q4 FY25 that will bring local and regional agencies together to discuss legal updates and potential impacts and/or changes to the DBE Program.	**On-going Report Annually**
8	Increase Small Business Program Regional Attainments - FY24 Fiscal Year-End Report	Total dollars awarded to small businesses regionally increased from $71.1 million in FY23 to $280.6 million in FY24. However, the percentage of awards to SBE firms decreased from 35.41% to 30.05% for this same period.	**On-going Report Annually**

STATUS UPDATE ON THE RECOMMENDATIONS FROM THE 2023 DISPARITY STUDY:

	Recommendations	Action	Status
1	Rotation system for bench contracts and/or developing benches comprised solely of SBE/DBE firms	Metro currently uses the rotational bench system and has one bench contract comprised of only small and disadvantaged businesses as primes. Staff will encourage cabinet departments to consider these types of bench options, where appropriate.	**On-going**
2	Provide technical assistance support on how to bid with Metro	In the pre-solicitation phase to bring on a consultant to implement the Small Business Technical Assistance Program (SBTAP). Staff aims to bring the recommendation for award to the Board in FY26 Q2.	**In Progress**
3	Develop a Microbusiness Program	A three-year pilot Local Micro Small Business Enterprise (LMCSBE) Program is scheduled to launch July 2025.	**In Progress**
4	Consider changing solicitation language to encourage primes to partner with subcontractors with which they have never work	Staff benchmarked four agencies and learned that outreach has been the primary course of action leading primes to partner with small and disadvantaged businesses they had not worked with before.	**Completed**
5	Unbundling large contracts	Unbundling is already encouraged as a component part of the Set-Aside Program. Staff will work with the Cabinet Liaisons in the procurement planning process to evaluate the potential opportunities for unbundling large contracts.	**On-going**
6	Adjust contract value for inflation for projects that span a certain number of years	Metro has used an escalation clause, that may be exercised at Metro's sole discretion, in multi-year cost reimbursable plus fixed fee contracts for professional A&E services.	**Completed**
7	Improvements to prequalification requirements	The Pre-Qualification threshold was increased from $100,000 to $500,000, effective January 1, 2025.	**Completed**

Next Steps:

- Staff will continue to implement Initiatives of the 48 by ’28 Plan and the disparity study recommendations and provide status updates annually.

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