

MOTION BY SUPERVISOR HILDA SOLIS

January 23, 2018

Contractor Bonding Assistance Program

The Board of Supervisors (Board) has passed several motions and implemented substantive policy reforms to support the vitality of the small business community, which serve as a critical element of the local economy. Specifically in 2016, the Board adopted a procurement goal for goods and services of twenty-five percent (25%) for Local Small Business Enterprises (LSBEs) and three percent (3%) for Disabled Veteran Business Enterprises (DVBES) by 2020. In addition, the Board approved an increase from eight percent (8%) to fifteen percent (15%) for the bid price reduction preference for LSBEs and DVBES.

While these policy changes were designed to help support diversity and widespread participation in the supply of goods and services procured by the County of Los Angeles (County), California law limits the use of such preferences for public works/construction projects. In addition, California law requires that public works contractors provide bid, performance, and payment bonds for such projects. Generally, public entities are required to obtain, from their prime contractors, payment bonds in an amount equal to 100% of the contract price on public works contracts, as well as to obtain performance bonds. Financial inability to obtain these bonds can thus be a barrier to increased participation of LSBEs, DBVES and Social Enterprises on public works projects.

Therefore, it is prudent for the County to look into what can be done to better assist LSBEs, DBVES, and Social Enterprises about bonding options, and whether it is feasible to provide such contractors with bonding assistance, so as to incentivize and attract these enterprises to participate in County public works/construction contracts.

MOTION

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Passage of Proposition A (Park Measure), Measure M (Transportation Measure), Measure H (Homeless Initiative), as well as State of California fix to road funding (Senate Bill 1), will result in substantial increase in public works/construction contracts. By providing bonding assistance, the County can provide unprecedented opportunities to build capacity in small and disadvantaged businesses and further County mission for workforce development particularly in the construction industry.

The City of Los Angeles has implemented a bonding assistance program since 2005 and recently, Los Angeles County Metropolitan Transportation Authority (Metro) has also partnered with the City of Los Angeles. Bonding assistance programs may also provide for the additional benefit of increased local participation in public works/construction contracting, and cost savings resulting from more competitive bidding.

I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Direct the Chief Executive Office Risk Management branch, in consultation with the Economic Development Policy Committee, the Department of Consumer and Business Affairs, Workforce Development and Aging Services, Department of Parks and Recreation, Department of Public Works, Community Development Commission, the Internal Services Department, County Counsel, and other applicable departments to report back in 90 days with:

1. Evaluation and recommendations on implementation of a one year pilot program providing contractor bonding assistance;
2. Findings and best practices from City of Los Angeles and other agencies on implementation of their respective bonding assistance programs and possible ways to build upon and partner with the City of Los Angeles' and/or other existing programs;
3. Recommendations on whether, how, and in what amount a line of credit can be provided to contractors to enable them to obtain the required bonds, including any maximum amount for each contract;
4. Identification of possible funding sources for establishing a line of credit, and the associated costs, including any related bonding services and program management, for one-year pilot program;

5. Analysis on anticipated risks and hedging strategies to address potential associated risks.
6. Timeline on implementation of one year pilot program including Request for Proposal Process (if recommended);