

Contract Equity Program Small Business Enterprise Bid Discount

Presented to

**Legislative/Human Resources Committee
January 8, 2019**

Agenda



- Overview of Small Business Enterprise (SBE) Component
- Financial Impact of Bid Discount
- Legislative Changes
- Recommendations
- Next Steps

Contract Equity Program SBE Component Overview



SBE component currently includes:

- A goal of awarding fifty percent (50%) of all annual contracts \leq \$80,000 to SBEs;
- A set aside of at least 25% of all annual contracts \leq \$80,000 for SBEs excluding purchases made with purchase cards;
- A 5% bid discount (not to exceed \$250,000 per contract) for responsive/responsible SBEs; and
- Disabled Veteran Business Enterprises

SBE Bid Discount - Five Year Financial Impact (FY14-FY18)



Year	Bid Discount Amount Applied		Total
	Non-Construction	Construction	
FY18	\$6,122.00	\$0.00	\$6,122.00
FY17	\$6,036.00	\$0.00	\$6,036.00
FY16	\$7,177.00	\$103,400.00	\$110,577.00
FY15	\$3,986.00	\$98,196.00	\$102,182.00
FY14	\$1,309.00	\$23,431.00	\$24,740.00
TOTAL	\$24,630.00	\$225,027.00	\$249,657.00

Legislative Changes



- SB 605 (*effective January 1, 2019*)
 - Increases SBE three-year average annual gross receipts eligibility threshold from \$15 million to \$36 million for certified public works contractors working on a public works project and increases the maximum number of employees from 100 to 200

Legislative Changes



- SB 605 (*effective January 1, 2019*) continued
 - Maintains current SBE eligibility threshold for non-public works contracts/projects at three-year average annual gross receipts of \$15 million and a maximum of 100 employees
 - Allows dollar thresholds to be adjusted to reflect changes in the California Consumer Price Index biennially

SBE – Related Legislative Changes Cont.



- *AB 2762 (effective January 1, 2019)*
 - Increased allowable bid discount from five percent to seven percent
 - Established a cap of \$150,000 on the amount of the discount per contract

Recommendations



- Revised the Contract Equity (CE) Program SBE Component immediately to:
 - Increase SBE bid discount from five to seven percent
 - Reduce the maximum dollar amount for the SBE bid discount from \$250,000 to \$150,000 per contract
- Maintain the current threshold of \$500,000 for the total amount of bid discounts granted in a fiscal year

Next Steps



- With Board authorization, staff will implement changes to the CE Program in conformance with new legislative changes

Questions



Thank You!