

LBE Certification Benefits

Although LBE, PUC-LBE and NPE certification is not required for bidding on City contracts, certified firms can compete more effectively on City contracts because they benefit from, among other things, (A) City subcontracting goals set for most City contracts, (B) "bid discounts", and (C) "micro-set asides." These benefits, which are summarized below, are contingent upon a certified firm's average gross receipts over a period of three years directly preceding the date of certification.

Benefit 1: Certified Firms help the City meet Subcontracting Goals designed to Increase Local Business Participation on City Contracts

The Contract Monitoring Division works with all City agencies to establish specific subcontracting goals designed to increase participation of local businesses on City Contracts. Specifically, these goals require all City agencies to award a certain percentage of many of their contracts to LBE, PUC-LBE and NPE certified firms. City agencies are required by law to either meet these goals or show why they are exempt from so doing.

Benefit 2: Certified Firms are Eligible to receive Bid Discounts when Bidding on City Contracts

Bids submitted by LBE, PUC-LBE and NPE certified firms are generally reduced by either 10% or 5% (for SBA-LBEs) when compared against those submitted by non-certified firms, thus making them more competitive than they would otherwise be. A 10% bid discount is available to LBE, PUC-LBE and NPE certified firms whose gross receipts over a period of three years directly preceding the date of certification do not exceed HRC's **"Micro" and/or "Small" economic thresholds** with respect to a particular certification category. LBE certified firms that exceed CMD's "Micro" and "Small" economic thresholds may still be eligible for a 5% bid discount if their gross receipts over a period of three years directly preceding the date of certification do not exceed CMD's **"SBA" economic thresholds** with respect to a particular certification category. Please note that "SBA" economic thresholds are available only to LBE certified firms and are not available to PUC-LBE or NPE certified firms.

Benefit 3: "MICRO" sized Certified firms are Eligible to Participate on City Contracts Specifically Set-Aside for Them ("Micro Set-Aside Program")

Because small firms generally lack the capacity and capital to participate directly on large City contracts, their participation on such contracts is limited to serving as sub-contractors to larger firms whose capacity enables them to bid directly on City contracts. In an effort to reduce micro firms' reliance on larger firms when participating on City contracts, the City has devised a **"Micro Set-Aside Program"** whereby smaller contracts are carved out specifically for micro, local firms to bid on directly. **In order to participate in the Micro Set-Aside Program, a firm must:** (i) Have gross receipts over a period of three years

directly preceding the date of certification that do not exceed CMD's "**Micro**" **economic thresholds** with respect to a particular certification category; and (ii) Apply for and receive a Vendor Number from the City by completing a Vendor Packet (See Section III).

Becoming Certified is NOT the same thing as becoming a City Vendor! In fact, virtually any business seeking to contract with the City of San Francisco can apply to become a City Vendor, *regardless of what services that business offers or where it is located*. In contrast, applying to become LBE, PUC-LBE and NPE Certified requires that a business, whether it be a City Vendor or not, must also meet the numerous certification requirements outlined in Section I. **While not required for Certification, we encourage all Certified firms that seek to contract with the City and County of San Francisco – either now or sometime in the future – to become a City Vendor by completing a City Vendor Packet.** By becoming a City vendor, a Certified business will be eligible to bid directly on all City Contracts. This is particularly important for: (a) Certified firms that seek to participate in the City's Micro-Set Aside Program discussed in Benefit 3 under Section II and (b) Certified firms that may engage in Purchase Contracts under \$10,000 with the City, as such contracts are not generally awarded through a formal bidding process but, rather, awarded directly to a firm *of the City's choice*.