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# SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair

2025 - 2026 Regular

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**Bill No:** AB 1786  
**Author:** Harabedian  
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**Fiscal:** Yes  
**Consultant:** Vargas

## ***PUBLIC CONTRACTS: BEST VALUE CONSTRUCTION CONTRACTING FOR COUNTIES, CITIES, AND THE SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS***

*Extends the best-value contracting pilot program to include cities and the San Gabriel Valley Council of Governments, reduce the dollar threshold for projects to qualify, and extend the sunset date an additional 10 years.*

### **Background**

**Contracting.** The Local Agency Public Construction Act (the Act) generally requires local agencies to invite bids for construction projects and award contracts to the lowest responsible bidder. Local agencies typically use the traditional design-bid-build method for constructing public works. This approach splits construction projects into two distinct phases: design and construction. During the design phase, the local agency prepares detailed project plans and specifications using its own employees or by hiring outside architects and engineers. Once project designs are complete, local agencies invite bids from the construction community and award the contract to the lowest responsible bidder.

Over the last couple of decades, the Legislature has gradually expanded local agencies' authority to procure construction projects using various alternatives to the design-bid-build project delivery method. These alternatives include:

- “Design-build” contracting, which allows local agencies to procure both design and construction services from a single company before the development of complete plans and specifications (SB 785, Wolk, 2014); and,
- “Construction manager at risk” contracting, which allows local agencies to retain a construction manager, who provides pre-construction services during the design period, later becomes the general contractor during the construction process, and is responsible for delivering the project within an agreed upon price, thereby assuming the risk for cost overruns (SB 328, Knight, 2013).

During the bidding phase, these alternative procurement methods allow a local agency to evaluate bids on a “best-value” basis, incorporating technical factors, such as qualifications, in addition to price. For example, the statutes authorizing design-build contracting allow local agencies to award a contract based on consideration of objective criteria that include features, functions, lifecycle costs, experience, and past performance.

**County best-value contracting pilot.** SB 762 (Wolk, 2015) established a pilot program until January 1, 2020, that allowed the counties of Alameda, Los Angeles, Riverside, San Bernardino,

San Diego, Solano, and Yuba to award contracts for construction projects in excess of \$1 million using the best-value method.

SB 793 (Hill, 2017) added San Mateo County to the pilot program and allowed counties participating in the pilot to use the program to award individual annual contracts for repair, remodeling, or other repetitive work to be done according to unit prices – also known as “job-order contracting.” If a county uses the best-value method for job order contracts, the contracts must:

- Not exceed \$3 million, adjusted for inflation;
- Not be for new construction; and
- Apply the best-value method criteria to the annual contract for construction services, not to an individual project.

Additionally, participating counties can extend annual contracts for two annual terms to a maximum of \$6 million over that period. Counties must adjust contract values annually to reflect the percentage change in the California consumer price index.

In 2019, SB 128 (Beall) added Monterey and Santa Clara counties to the authorization and extended the sunset date from January 1, 2020, to January 1, 2025. As a result, ten counties were eligible to use the best-value procurement method: Alameda, Los Angeles, Monterey, Riverside, San Bernardino, San Diego, San Mateo, Santa Clara, Solano, and Yuba.

Most recently, AB 1957 (Wilson, 2024) expanded the authority to all counties and extended the sunset date to January 1, 2030.

***Best-value contracting requirements.*** Participating counties must satisfy a number of requirements to use the best-value contracting authority, including to:

- Adopt and publish procedures and required criteria to ensure local agencies select bids in a fair and impartial manner;
- Evaluate at a public meeting the alternative of awarding the contract on the basis of the lowest bid price;
- Make a written finding that awarding the contract on the basis of best value will reduce project costs, expedite project completion, and/or provide features not achievable via the low-bid method;
- Prepare bid solicitations and provide notice as required by the Act, and comply with the Subcontracting Fair Practices Act regarding subcontractors identified in a bid;
- Establish prequalification procedures in accordance with the Act;
- Include in bid solicitations the criteria and rating system a county will consider in evaluating bids;
- Prequalify or shortlist only those contractors who provide an enforceable commitment to use a skilled and trained workforce to perform all work on the project that falls within an apprenticeable occupation, with specified exceptions;
- Appoint an evaluation committee, which must evaluate bidders solely upon the criteria in the bid solicitations and assign a qualifications score to each bid;
- Determine best value by dividing each bidder’s price by its qualifications score, with the lowest cost per quality point representing the best-value bid;

- Announce bid awards publicly, including the score of the selected contractor in relation to all other bidders; and
- Submit a report to the Legislature, including information about the county's use of the bill's authority on or before March 1, 2029.

***Joint powers agencies.*** The Joint Exercise of Powers Act allows two or more public agencies to use their powers in common if they sign a joint powers agreement. Sometimes an agreement creates a new, separate public entity called a joint powers agency or joint powers authority (JPA). Agencies that can exercise joint powers include federal agencies, state departments, counties, cities, special districts, school districts, federally recognized Indian tribes, and even other joint powers authorities.

***San Gabriel Council of Governments (SGVCOG).*** The SGVCOG is a joint powers authority consisting of 31 cities and Los Angeles County. As a regional planning agency, SGVCOG works on issues related to transportation, homelessness, the environment, and water resources. According to SGVCOG, best-value contracting authority could help avoid costly project delays. For example, SGVCOG cites a recent project in the City of Duarte that included sidewalk and pedestrian enhancements within a commercial corridor. This project included decorative paver installation, ADA ramp reconstruction, utility coordination, and street landscaping. The city awarded the contract to the lowest responsible bidder which had strong general construction experience but limited expertise in specialty paver installation and complex utility coordination. According to SGVCOG, as construction progressed, the contractor's lack of direct expertise contributed to schedule delays and additional change orders.

SGVCOG wants the Legislature to expand the program to include all cities, extend the sunset date, and lower the threshold for eligible construction projects.

### **Proposed Law**

Assembly Bill 1786 expands the best value contracting pilot program to include all cities, general and charter, and SGVCOG.

AB 1786 also reduces the dollar threshold for construction projects that are eligible from \$1 million to \$500,000.

AB 1786 also extends the sunset date on the authorization for the program from January 1, 2030, to January 1, 2040, and requires local agencies that use the authority to report to the Legislature on or before March 1, 2031.

AB 1786 also makes several technical and confirming changes.

### **Comments**

1. **Purpose of the bill.** According to the author, "AB 1786 provides local governments and contract cities with the flexibility to select contractors based not only on cost, but also on proven experience, safety records, and past performance, ensuring taxpayer dollars deliver the highest possible value. By allowing contract cities to use best-value contracting for complex projects, this bill helps reduce costly delays, improve project quality, and promote safer worksites. The

result is more efficient delivery of critical public investments, including roads, housing, and infrastructure, that communities rely on every day, completed on time and within budget.”

2. Clear as mud. The Joint Exercise of Powers Act authorizes public agencies to jointly exercise powers that they share in common. Because AB 1786 extends best value procurement authority to all cities, the member agencies of SGVCOG would share that authority in common and could exercise it through the JPA. While AB 1786 specifically grants the authority to SGVCOG, other JPAs with membership consisting of cities and counties would also gain best value procurement authority because their members would gain this new shared power.

3. Sunset redux. Historically, when the Legislature has granted local agencies alternative public contracting authorities, it has generally done so on a pilot basis with five-year sunset dates and reporting requirements timed to inform that sunset. These sunset and reporting provisions provide information regarding implementation and outcomes while preserving the Legislature’s ability to revisit the authorization and make adjustments based on the experience with the law. AB 1786 extends the existing best value contracting authority from January 1, 2030, to January 1, 2040, while also expanding that authority to all cities in the state. By extending the authority for an additional ten years and substantially expanding the number of eligible local agencies, the bill makes significant changes to the program while simultaneously limiting opportunities for legislative review of whether the authority is achieving intended objectives and producing improved project outcomes. The Committee may wish to consider amending AB 1786 to revise the sunset date to January 1, 2032, to match the Legislature’s historical approach to extending sunset dates.

4. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 1786 expands the crime of perjury, Legislative Counsel says the bill imposes a new state mandate. AB 1786 disclaims the state's responsibility for providing reimbursement because the costs are due to expanding a crime.

**Assembly Actions**

Assembly Local Government Committee:	10-0
Assembly Appropriations Committee:	14-0
Assembly Floor:	72-0

**Support and Opposition** (6/12/2026)

- Support: San Gabriel Valley Council of Governments (Sponsor)  
 Board of Supervisor Hilda Solis, LA County  
 American Society of Civil Engineers-region 9  
 California Chapters of the American Public Works Association  
 California State Association of Counties (CSAC)  
 City of Azusa  
 City of Baldwin Park  
 City of Claremont  
 City of Diamond Bar  
 City of Duarte  
 City of Glendora

City of Hesperia  
City of Industry  
City of Monrovia  
City of Monterey Park  
City of Rosemead  
City of San Dimas  
City of Sierra Madre  
City of South Pasadena  
City of Walnut  
City of Westminster  
League of California Cities  
Los Angeles County

Opposition: Associated General Contractors, California Chapters  
Western Electrical Contractors Association

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