

*** NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL ***

[CLICK HERE FOR THE CHIEF EXECUTIVE OFFICER'S REPORT DATED JANUARY 10, 2018](#)



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

November 1, 2017

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

REQUEST FOR AN EXTENSION: ASSESSING ECONOMIC DEVELOPMENT OPPORTUNITIES IN ONGOING COUNTY CONTRACTS (ITEM NO. 8, AGENDA OF APRIL 4, 2017)

On April 4, 2017, the Board of Supervisors (Board) adopted a Motion (Motion) by Supervisors Solis and Hahn, instructing the Chief Executive Officer (CEO), in consultation with the Economic Development Policy Committee, the Departments of Consumer and Business Affairs (DCBA), Workforce Development, Aging and Community Services (WDACS), Internal Services (ISD), County Counsel, and other relevant departments to inventory all County contracts including concessions, leases, operating agreements, developer agreements, and any agreements with a third party where the County has a revenue sharing agreement or has a proprietary interest. Further, the Board asked for an assessment of these contracts to determine whether there are opportunities to encourage Local Small Business Enterprise (LSBE), Disabled Veteran Business Enterprise (DVBE), and Social Enterprise (SE) participation.

Additionally, the Motion requested an assessment of whether there may be opportunities on existing or future contracts to encourage the employment and training of Local Residents and Targeted Workers, and support an industry cluster development strategy. The Motion requested the inventory and assessment, including potential procurement, contracting, and leasing process changes to encourage the Board's business and workforce goals, within 100 days. On July 26, 2017, the CEO requested an additional 90 days to respond to the Motion.



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Chief Executive Officer

January 10, 2018

To: Supervisor Sheila Kuehl, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

ASSESSING ECONOMIC DEVELOPMENT OPPORTUNITIES IN ONGOING COUNTY CONTRACTS (ITEM NO. 8, AGENDA OF APRIL 4, 2017)

On April 4, 2017, the Board of Supervisors (Board) adopted a Motion (Motion) by Supervisors Solis and Hahn, instructing the Chief Executive Officer (CEO), in consultation with the Economic Development Policy Committee, the Department of Consumer and Business Affairs (DCBA), Workforce Development Aging and Community Services (WDACS), Internal Services Department (Internal Services), County Counsel, and other relevant departments to inventory all County contracts including concessions, leases, operating agreements, developer agreements, and any agreements with a third party where the County has a revenue sharing agreement or proprietary interest.

In the Motion, the Board asked for an assessment of contracts to determine whether there are opportunities to encourage Local Small Business Enterprise (LSBE), Disabled Veteran Business Enterprise (DVBE), and Social Enterprise (SE) participation. Additionally, the Motion requested an assessment of whether there may be opportunities on existing or future contracts to encourage the employment and training of Local Residents and Targeted Workers, and support a sector or industry cluster development strategy. The Motion requested the inventory and assessment, including procurement, contracting, and leasing process changes warranted to further encourage the Board's business and workforce goals. The CEO first responded to the Motion on July 26, 2017.

INVENTORY PROCESS

The CEO, in collaboration with the Auditor-Controller, DCBA, and Internal Services, conducted a survey of all departments to develop an inventory of current County contracts.

On May 4, 2017, the above-referenced departments conducted a mandatory meeting with County contract managers. The CEO presented the process for the inventory, discussed the best way to categorize the contracts, and how to assess their economic development potential. The CEO then provided updates to the County contract managers at subsequent meetings on August 3 and November 7, 2017.

To determine an accurate inventory of current contracts, the Auditor-Controller distributed a list of all known agreements by contract type to each department, and each department then validated and edited these lists. All contracts including concessions, leases, operating agreements, developer agreements, and any agreements with a third party where the County has a revenue sharing agreement, receives a payment, has a proprietary interest, or provides a financial contribution were included in the master list compiled by the Auditor-Controller.

The contract information collected from departments was presented in a manner to best analyze each contract's opportunities for business utilization and local hire. With input from the County contract managers, departments were asked to identify whether the contracts would be suitable for LSBE, DVBE, and SE utilization, and whether the contracts may be suitable for Local Residents and Targeted Workers. After all departments returned their survey results, the CEO then worked directly with contract managers to identify missing information and remove any expired or duplicate contracts. In its initial report to the Board on July 26, 2017, the CEO identified a total of 7,465 contracts Countywide. Through additional due diligence, this number has since been revised to a total of 6,658 unique County contracts. These contracts were effective as of April 30, 2017.

In its inventory process, the CEO reviewed data from the eCAPS accounting system and determined that the County expended \$3.23 billion during Fiscal Year (FY) 2016-17 in relation to the 6,658 contracts identified by departments. Of note, more than half of these 6,658 contracts reported no expenditures during this most recent fiscal year. The specific reasons for this lack of payment activity are still being investigated, but one contributing factor is the fact that the County has numerous multi-year contracts that are only utilized on an as-needed basis. In addition to reviewing payment data, the CEO also determined that a majority of the contracts and contract expenditures are related to service contracts. Of the 6,658 County contracts reported, 4,615 have been identified as service contracts. Service contracts have previously been identified as suitable for a preference program and business utilization goals.

Contracts Identified as Suitable for Certified Businesses

Departments identified 1,741 active contracts as potentially suitable for certified businesses including LSBEs, DVBEs and SEs, with the majority categorized as service contracts. DCBA is actively researching these 1,266 contracts to further promote the County's utilization objectives and bid price preferences. Solicitation language for County goods and services contracts already reflect the 15 percent preference for certified businesses, and the

County is continuing to outreach to businesses to inform them of the opportunities available to win contracts. According to data collected by DCBA, certified LSBEs were awarded a total of 606 contracts in FY 2016-17.

Contracts Identified as Suitable for Local Residents and Targeted Workers

Of the 6,658 total contracts, only 248 contracts were identified by departments as potentially suitable for a Local Residents and Targeted Worker hiring goal. Of these 248 contracts, at least 80 are assumed to already be covered under the County's current Local and Targeted Worker Hire Policy for construction contracts. Other types of contracts identified by departments in the survey fell under the category of maintenance, either for equipment or buildings, while others included construction, landscaping, operating agreements and service contracts. The CEO recommends continuing to implement the current Local and Targeted Worker Hire Policy for construction contracts before expanding this policy to new contract types, as discussed further herein.

Proposition A Contracts

The contracts inventory revealed 222 Proposition A contracts, of which 219 were identified as service contracts. These are contracts where it has been found to be more cost effective and practical for work to be performed by contractors, rather than by County employees. The CEO currently reports back to the Board on an ongoing basis as to the status of these contracts, and Internal Services reports back to the Board on both a semi-annual and annual basis as to the amount spent and individuals employed on Proposition A contracts.

CONTRACTING OPPORTUNITIES TO ENCOURAGE LSBE, DVBE AND SE UTILIZATION GOALS

As the County's Small Business Advocate and the certifying agency for LSBEs, DVBEs and SEs, DCBA conducted an analysis of the contract inventory completed by the Auditor-Controller to identify opportunities to increase contracting awards to certified businesses. Service contracts, being the largest share of County contracts, were the focus of this analysis. The following is a set of potential recommendations to help the County reach the Board's stated contracting goals for certified businesses.

Unbundle contracts where appropriate. Contract bundling refers to the consolidation of two or more procurement requirements for goods or services (which could be provided or performed under separate smaller contracts) into a solicitation for a single contract. The practice of bundling contracts is often employed because it can provide benefits to the County, such as cost savings, quality improvements, reductions in acquisition cycle times, and/or better terms and conditions. However, these benefits may come at the expense of

excluding certified businesses from being able to effectively compete on larger contracts. DCBA recommends that departments begin reviewing active contracts nearing expiration and re-solicitation for unbundling opportunities, with the intent of notifying certified businesses as to these forthcoming opportunities. In addition, DCBA recommends that emphasis should be placed on contracts with a relatively high dollar value, which contain multiple types of deliverables and/or encompass large geographic regions.

One department that is already taking steps to encourage LSBE, DVBE and SE participation is Internal Services, which actively reviews existing contracts for unbundling opportunities. For example, Internal Services divided custodial services contracts into eight geographic regions to increase opportunities for certified business, and is looking at employing the same practice with landscaping services.

Subcontracting to LSBEs, DVBEs and SEs. Subcontracting opportunities can be just as valuable for a certified business as receiving a direct award from the County. Similar to the Small Business Program at the State of California's Department of General Services, DCBA recommends that the County consider incentivizing prime contractors to utilize certified businesses in their subcontracting plans when responding to a solicitation for a service contract. DCBA suggests exploring the feasibility of providing a bid preference to those businesses that commit to subcontract at least 25 percent of the net bid price with one or more LA County certified businesses. In addition, a mechanism should be developed to ensure that a prime contractor complies with these commitments. Currently, upon completion of a purchase order for goods, a prime contractor is required to submit a Final Report of Subcontracting and Purchases Form to DCBA. However, despite it being a part of the standard terms and conditions, it remains a good faith effort on the part of the prime contractor.

Forecasting Future Contracting Opportunities. DCBA's analysis of the County's contract inventory indicates that there are over \$2 billion in contracts expiring by the end of FY 2020 that may be suitable for certified businesses. These contracts present an opportunity for increased utilization, assuming that many such contracts will be resolicited. Therefore, the County should work to develop a pool of certified businesses in the in-demand industries where many contracts are expiring. Helping certified businesses identify procurement opportunities early in the acquisition process allows them more time to prepare their strategy and bid.

A successful forecasting program can be utilized as a targeted marketing tool to entice more businesses to register as a County vendor, apply for certification, and ultimately compete in the procurement process. Currently, procurements worth more than \$10,000

(up to \$24,999 if using the Simplified Acquisition Process¹) are open for public bidding. If procurements in specific industries are known in advance, targeted outreach can be conducted by DCBA to ensure certified businesses are available to compete on a solicitation when it opens for public bidding. A similar process currently exists with the federal government and was established pursuant to the Business Opportunity Development Reform Act of 1988.

Conduct an Annual Inventory. In order to obtain an accurate measure of progress with certified business utilization it is necessary to compare annual variations for key metrics such as the total value, number of contracts, and contract types awarded to certified businesses. In partnership with the Auditor-Controller's work in creating a comprehensive Countywide contracts database, the CEO recommends the County undergo an analysis of its active contracts on an annual basis in order to improve the accuracy of its current inventory and facilitate the measurement of annual progress on utilization goals.

CONTRACTING OPPORTUNITIES TO ENCOURAGE LOCAL RESIDENTS AND TARGETED WORKER HIRE

The CEO, County Counsel, DCBA and Auditor-Controller reviewed and analyzed existing County contracts to determine whether there are opportunities on existing and future contracts to encourage the continued employment and training of Local Residents and Targeted Workers. Consistent with the Board approved Local and Targeted Worker Hire Policy (LTWHP), there is a 30 percent Local Hire goal, and a 10 percent Targeted Worker hire goal on most major construction projects approved by the Board. For most construction projects over \$2.5 million, meeting these goals is a mandatory requirement, with provisions for liquidated damages against the contractor if it fails to meet these goals.

Should the Board determine that a Local and Targeted Worker Hire Policy be expanded beyond construction contracts, certain types of contracts are likely better-suited to expanded worker hiring goals. To identify such contracts, the following factors should be taken into consideration:

- Type of contract
- Number of workers needed
- Skill level to perform job responsibilities

Contracts not well suited to hiring goals are those where very few people perform the work, such as consulting agreements; those contracts where a high level of specialized skill is

¹ The Simplified Acquisition Process (SAP) facilitates purchases from certified vendors by increasing a County department's delegated authority for the acquisition of goods or services from \$5,001 up to \$24,999 directly from a certified vendor by using a streamlined two-bid process. The SAP applies only to spot purchases made from a certified Local Small Business Enterprise, a certified Disabled Veteran Business Enterprise, or a certified Social Enterprise.

required, such as architectural and engineering contracts; and contracts with a statutorily dictated procurement method that prohibits the implementation of such goals. Contracts that might be well-suited to Local and Targeted Workers include concessions contracts, custodial contracts, and operations and maintenance contracts.

The CEO has observed that there may be challenges associated with expanded opportunities for Local Residents and Targeted Workers on County contracts. For example, there is not currently a department responsible for administering and implementing such an expanded program. Expanded implementation would require additional staff time, changes to standard County contracting documents, contract monitoring, and the development of enforcement mechanisms in the event of contractor non-compliance. In the interim, the CEO recommends that County departments and their contractors work with WDACS and jobs developers at the America's Job Centers of California (AJCCs) to forecast workforce needs and opportunities to cultivate a pipeline of work-ready individuals and County residents to deploy on future County contracts.

CONTRACTING OPPORTUNITIES TO SUPPORT AN INDUSTRY CLUSTER DEVELOPMENT STRATEGY

Industry clusters can have significant impact on the survival and growth of small businesses, which in turn aids the creation of high quality jobs for a region. A well-designed cluster development strategy can spur business start-ups and job growth. The term cluster is used to define an interconnected set of businesses operating within a defined area or region.

The CEO is developing industry cluster-building strategies within Los Angeles County through its Economic Development Program. The CEO initiated a re-designed Industry Sector Strategies program to identify growth opportunities in seven targeted industry clusters identified as part of the County's workforce development efforts. These targeted industries include Health Care Services, Trade & Logistics, Leisure and Hospitality, Manufacturing, Bioscience, Construction, and Entertainment and Infotech. The first industries to be studied are expected to be those of entertainment, health care, construction, and potentially the cleantech component of manufacturing. Each of these industries has a direct nexus to the County's contracting operations, as more than \$1 billion is spent annually on health care and construction contracts alone.

CONCLUSION

The CEO, in consultation with DCBA, Internal Services, Auditor-Controller and County Counsel has provided an inventory of County contracts, and has put forth recommendations to align economic development programs and promote certified businesses, workforce development, and Local and Targeted Worker hire in existing and future

Each Supervisor
January 10, 2018
Page 7

contracts. The CEO will continue to assess specific contracting opportunities and will engage the Economic Development Policy Committee on specific proposals for program implementation.

If you have any questions regarding this report, please contact Doug Baron at (213) 974-8355, or dbaron@ceo.lacounty.gov.

SAH:JJ:DSB
CMT:acn

c: Executive Office, Board of Supervisors
 Auditor-Controller
 Consumer and Business Affairs
 County Counsel
 Internal Services
 Workforce Development, Aging and Community Services

Each Supervisor
November 1, 2017
Page 2

In its July 26, 2017 report to the Board, the CEO presented a total of 7,465 potential contracts that had been identified through a Countywide survey. The CEO is now requesting an additional 60 days to validate this inventory of contracts and fully respond to the Motion.

If you have any questions regarding this report, please contact Doug Baron at (213) 974-8355, or dbaron@ceo.lacounty.gov.

SAH:JJ:DSB
CMT:acn

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller
 Consumer and Business Affairs
 Internal Services
 Economic Development Policy Committee