February 4, 2020

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

From: Joseph M. Nicchitta
Director

THIRD REPORT BACK REGARDING THE IMPLEMENTATION OF A PLAN TO ACHIEVE THE COUNTY OF LOS ANGELES’ 25% PROCUREMENT ATTAINMENT GOAL FOR LOCAL SMALL BUSINESS ENTERPRISES (ITEM NO. 11, AGENDA OF APRIL 30, 2019)

Summary of Report

On April 30, 2019, your Board adopted two motions directing departments to take material steps to meet the Board-established goal that by 2020, Local Small Business Enterprises (LSBEs) attain 25 percent of the County’s eligible annual procurement awards. During the current fiscal year, the County successfully awarded $453,592,327.49 in contracts to certified businesses, the highest amount for any six-month period since the inception of the initiative. Your Board also directed departments to take material steps to meet Board-established procurement goals for Community Business Enterprises (CBEs), which include minority-, women-, and disabled veteran-owned business enterprises. Your Board directed the Department of Consumer and Business Affairs (DCBA) to lead the implementation of many of these steps and to consult with other departments and manage the overall achievement of the LSBE and CBE procurement attainment goals.

Your Board specifically:

- Directed the Chief Executive Office to establish Management Appraisal and Performance Plan (MAPP) goals for fiscal year 2019-20 for all department heads to take material steps to support the County's 25 percent LSBK Utilization Goal, and further directed the Director of Personnel, in consultation with DCBA and Internal Services Department (ISD), to provide guidance to department heads on these new MAPP goals.

- Authorized DCBA, in consultation with ISD, Public Works, and the Initiative on Women and Girls, to engage a consultant to conduct outreach to CBEs to identify business support needs and barriers to soliciting work with the County;

- Directed DCBA, in consultation with the Chief Executive Office, Human Resources, ISD, the Initiative on Women and Girls, the Center for Health Equity, and County Counsel, to develop a "Contracting with Certified Businesses" training on the County's Learning Net for County procurement and contracting staff;

- Instructed the Director of ISD, in consultation with the Chief Executive Office, DCBA, the Chief Information Officer, the Auditor-Controller, Public Works, and the Health Agency, to ensure coordination within the various County's purchasing and contracting policies, procedures, practices, and technology with LSBK utilization efforts; and

- Authorized the Director of DCBA to enter into a memorandum of understanding with other cities and agencies and use existing eligible grant resources to establish and launch a regional procurement initiative.

Your Board further instructed the Directors of DCBA and ISD, in coordination with other County departments, to report back in writing in 60 days on the following:

- Recommendations to modify the existing simplified acquisition process to allow for a maximum simplified acquisition amount of up to $249,999, including enhanced auditing protocols;

- Analysis and recommendations for potential changes to bonding and insurance requirements to lower costs and burdens LSBKs, CBEs, and other certified businesses face when attempting to contract with the County;

- Identify opportunities to extend LSBK and CBE procurement attainment goals to County-related agencies and special districts; and
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- Assess efforts to increase data capture and identify necessary resources to implement enhanced data gathering and reporting regarding LSBE and CBE utilization, including enhanced auditing protocols for contract awards made to certified firms.

This third report serves as an update on each of the directives outlined above.

MAPP Goals

Your Board approved one-time MAPP goals for fiscal year 2019-20 for all department heads to take considerable steps to support the LSBE and CBE procurement utilization goals. As indicated in DCBA's October 30, 2019 report, DCBA developed a MAPP goal guide, which was shared by the Director of Personnel via her October 11, 2019, countywide MAPP planning to all department heads. Since DCBA's last report, DCBA staff has met with multiple departments to provide additional guidance determining an appropriate MAPP goal and to support the success of selected MAPP goals.

DCBA will continue to support departments in the second half of the fiscal year to ensure that they successfully achieve their goals.

Specialized Technical Assistance for Community Business Enterprises

As reported in our October 30, 2019, report, minority-owned, women-owned, disadvantaged, and disabled veteran-owned businesses face the following five primary barriers to government contracting:

1. Differences in capital for business start-up or expansion;
2. Differences in education level;
3. Differences in experience growing up in a family business;
4. Differences in social networks; and
5. Overt discrimination or racism.

In response, DCBA is analyzing data to conduct strategic marketing to these business communities based on industry and County procurement needs.

DCBA is also developing a resource guide specific to immigrant-owned businesses and entrepreneurs. This guide will include a know-your-rights section, County and community business resources, and valuable technical assistance.

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Learning Net Training on Contracting with Certified Businesses

As stated in our October 30, 2019, report to your Board, to achieve the County’s LSBE and CBE utilization goals, procurement staff, management, and executives must understand the important policies supporting certified business procurement and the tools available to maximize procurement opportunities.

To ensure countywide understanding, DCBA is finalizing a Learning Net training that will reaffirm your Board’s priority to reach its LSBE utilization goals by 2020 and increase CBE utilization overall, and provide a comprehensive and clear understanding of the various preference programs to create a more inclusive procurement environment for certified businesses. The training will highlight tools designed to help department leadership and staff develop a multi-pronged utilization strategy that leverages procurement vehicles, certified vendor databases, and historical procurement data. DCBA is finalizing this training and anticipates deploying the training via the County’s Learning Net during the third quarter of fiscal year 2019-20.

OneLA Regional Collaborative

A common barrier to government contracting reported by local small, minority- and women-owned businesses is the complex and antiquated procurement processes maintained by public agencies within the region. Businesses must register with numerous agencies, and submit applications for and keep track of different certifications, which can be tedious and burdensome.

To address these barriers, DCBA has partnered with various entities, including ISD, Public Works, the Los Angeles Area Chamber of Commerce, the U.S. Small Business Administration (SBA), Los Angeles World Airports, LA Metro, Metropolitan Water District, various chambers of commerce and others to launch the OneLA Regional Collaborative (OneLA). The first-of-its-kind multi-agency partnership, officially launched on September 18, 2019, leverages the outreach efforts, business resources, and buying power of partner agencies for the benefit of the region’s small, minority- and women-owned businesses.

As part of the inauguration of OneLA, DCBA launched a new online regional certification platform\(^3\) that lowers barriers to entry for small, diverse firms by centralizing certification applications across multiple regional agencies and connects them to public procurement opportunities offered by multiple agencies in one place.

\(^3\) [https://app.avisare.com/signup/lacounty](https://app.avisare.com/signup/lacounty)
We initially launched with CBE applications to beta test the system and have seen excellent results. During the period beginning September 18, 2019, to December 18, 2019, DCBA received 191 CBE certification applications, approved 132 of these applications, and denied only 7, compared to 70 submissions, 42 approvals, and 28 denials during the same period one year ago. The updated platform has enabled DCBA to increase the volume of certification applications and approvals and reduce the denial rate. Most of our denials are a result of the applicant not submitting the required supporting documents in a timely manner. The new platform requires applicants to upload mandatory documents at the time of submission, as opposed to separately via email, which has increased the rate of complete applications.

We are preparing to onboard the County's LSBE, Disabled Veteran Enterprise, and Social Enterprise certification applications, and integrating the platform with the County's eCAPS and Webven system.

**Increasing Contract Limits in the Simplified Acquisition Process**

DCBA and ISD, in consultation with the Auditor-Controller, have agreed that increasing the simplified acquisition process threshold from $24,999 to $249,999, as directed by your Board, is feasible but should be phased. Increasing the threshold incrementally will ensure that internal controls are in place to minimize fraud and abuse. DCBA and ISD will work together to implement a change management and communication plan and incorporate tech enhancements to raise the threshold by April 1, 2020, to $75,000. DCBA and ISD will monitor and analyze use of the simplified acquisition process at the $75,000 threshold and report to your Board on outcomes and a phasing plan for future increases.

DCBA is advancing safeguards to support this effort, including strengthening language in the preference program ordinances related to revocation of a vendor’s certification and amending all preference program ordinances to include a Commercially Useful Function (CUF) requirement. DCBA developed a CUF certification form to include in all County solicitations, which requires a bidder to provide a written statement detailing the contractor's CUF compliance. County Counsel has reviewed this form, and DCBA is currently working with ISD to integrate into the County's procurement process.

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4 The Commercially Useful Function ensures that a certified vendor receiving a bid preference on a solicitation is not operating as a broker or “passthrough” for a non-certified business.
Modifications to Bonding and Insurance Requirements

In our October 30, 2019, report, we discussed establishing a liaison with the SBA to facilitate referrals and warm hand-offs for the U.S. Department of Transportation’s (DOT) bonding assistance program. However, further research into these programs revealed that establishing such a liaison is not feasible because the SBA only guarantees surety bonds for private surety companies. The SBA does not provide direct services related to bonds. Thus, establishing liaisons would not be feasible. In the interim, DCBA will develop a webpage designed to connect businesses to the SBA and DOT bonding programs, answer frequently asked questions regarding the County’s bonding requirements, and integrate this information into our one-on-one technical assistance program curriculum.

Insurance requirements also remain an area of concern for many small businesses. Our businesses report that insurance requirements are too financially burdensome. Addressing these issues will take additional research, planning, and evaluation of current practices and statutory and policy requirements. Accordingly, DCBA will continue to convene all relevant partners to discuss insurance levels, timing, and potential policy and business process changes. This includes exploring tiered contracting where lower dollar and lower risk opportunities require a reduced level of insurance requirements.

Opportunities to Extend Goals to County-Related Agencies and Special Districts

During this reporting period, DCBA met with the Los Angeles County Sanitation Districts (Sanitation Districts) to discuss the County’s utilization goals and efforts to extend these goals to County-related agencies and special districts. The Sanitation Districts have an established aspirational 20 percent participation goal for minority-owned, women-owned, disadvantaged, disabled veteran, and small business firms. Nonetheless, the Sanitation Districts have expressed interest in aligning this goal to the County’s 25 percent utilization goal.

Furthermore, we discussed other opportunities for collaboration, including outreach events, workshops, and posting DCBA’s business-facing services on their website. The Sanitation Districts also expressed interest in joining OneLA and will be invited to our next convening accordingly.

DCBA also met with Chancellor Rodriguez and representatives over purchasing for the Los Angeles Community College District (LACCD). DCBA will continue to nurture this

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relationship and support LACCD in its efforts to reach minority-, women-, and disabled veteran-owned businesses.

Ensuring Accurate Data Collection

Throughout 2019, the County has made great strides to ensure accurate data collection to benchmark utilization efforts and measure progress. One of the most notable successes has been the launch of the County Spend Report Portal developed by ISD. Through this portal, departments can easily obtain their award and payment data and their utilization of LSBE, DVBE, and SE vendors going back to fiscal year 2017-18. This enhancement marks a significant step forward in the collection of actionable procurement data.

DCBA continues to work with ISD to develop and implement a solution for the tracking of CBE utilization data through the integration of our new certification platform into the County’s enterprise systems. Deeper integration of the technology solution with existing systems such as WebVen and eCAPS is necessary to track utilization of CBE certified vendors and is part of phase two of the certification platform implementation plan. In the interim, DCBA continues to promote inclusion and facilitate compliance with Board Policy 5.130 (Contracting with Community Business Enterprises) by providing County departments, government agencies, and private businesses the listing of actively certified CBEs upon request.

Next Steps

DCBA will continue to report updates back to your Board on a quarterly basis until the directives are complete.

Our next quarterly update will be due on April 10, 2020.

Should you have any questions or need additional information, please contact me or Azusena Favela, Deputy Director, at (213) 248-0680 or afavela@dcba.lacounty.gov or Christian Olmos, Program Chief, Office of Small Business, at (213) 626-9407 or colmos@dcba.lacounty.gov.

JMN:RC
CO:FGN:rv

c: Executive Office, Board of Supervisors
   Chief Executive Office
   County Counsel
   Auditor-Controller
   Center for Health Equity
Community Development Authority
Internal Services
Human Resources
Public Health
Public Works
Women and Girls Initiative