

MOTION BY SUPERVISORS SHEILA KUEHL AND  
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**Diversity and Inclusion in Public Finance**

Recognizing the importance of using the County’s spending power to support local economic development and wealth creation in historically disadvantaged communities, the Board of Supervisors (Board) has taken many actions to ensure that businesses owned by women, ethnic minorities, disabled veterans and other groups have full and equal access to County procurement and contracting opportunities. The County has not explicitly included LGBTQ (Lesbian, Gay, Bisexual, Transgender and Queer / Questioning) individuals in its contracting equity programs, but is making the determination, through this action, that they should be.

Board Policy 5.130 “Contracting with Community Business Enterprises,” requires that each department submitting a contract for Board approval include information on the process used to identify a diverse pool of bidders, as well as demographic information on the ownership, management and staff of firms that responded to the solicitation.

On October 16, 2018, the Board reaffirmed its commitment to contracting opportunities for Community Business Enterprises and instructed the Director of

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Consumer and Business Affairs to begin reporting, on an annual basis, departmental and Countywide performance against the County's 25% contracting goal for Community Business Enterprises (CBEs) and to recommend specific actions to reduce barriers to accessing County contracting and procurement opportunities for CBEs.

In accordance with California's Proposition 209, the County does not "grant preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting", but does actively engage in education and vendor outreach efforts to meet our "25% of contracts" aspirational goal and related County priorities.

The County's \$32.5 billion budget includes many components that are financed with cash or through a combination of short-term, medium-term and long-term debt financing, all of which are managed by the County's Treasurer and Tax Collector (TTC), in consultation with County Counsel, the Chief Executive Officer (CEO) and the Auditor-Controller. The TTC, acting through its Public Finance Branch:

- Supports the County's cash flow needs by issuing short-term (generally less than one year to maturity) notes of between \$500 million and \$1.3 billion per year.
- Supports the County's more than \$1 billion multi-year capital improvement, construction and facility renovation programs by managing a \$600 million Short-term Lease Revenue Note Program (i.e., commercial paper program) to provide initial financing for capital construction projects.
- Manages the issuance of long-term lease revenue bonds, including the refinancing of commercial paper notes to provide financing for capital

construction projects and major rehabilitation of County buildings.

- Manages the issuance of bond anticipation notes and lease revenue bonds to finance the acquisition of equipment and vehicles.
- Executes other debt financing transactions on behalf of the County and its affiliated agencies, and participates in all general obligation bond financings for the County's school and community college districts.

As a component of the TTC's efforts to access the capital markets to issue short-term and long-term debt for the County, the TTC, the CEO and County Counsel manage various relationships with external financial and legal partners. These private sector partners include Bond Counsel, Disclosure Counsel, Municipal Advisors, Bond Underwriters, Bond Trustees and Title Insurance Companies (collectively: our External Financial Partners). In the 2009 to 2018 period, TTC accessed the capital markets on myriad occasions to issue approximately \$12.5 billion in debt and paid its External Financial Partners \$18.9 million in fees and commissions, which equates to about \$1.25 billion in debt issued and \$1.89 million in fees paid each year.

Because of the frequency with which the County issues debt and its long history in public finance, the County has a prominent position and strong name recognition in the municipal debt markets. The County is an attractive client for these External Financial Partners not only because of the fees generated, but because of the County's size, complexity and reputation. For a small or emerging firm, or a firm that we would consider a Community Business Enterprise, working on a County financing – whether in first, second or third “chair” position – exposes the firm to bigger, more established players in the capital markets. Participating in a County financing also provides

important experience that can help the firm compete for a more substantial role in future financings.

Because of the specialized nature of External Financial Partners, it is difficult to find demographic information on equity partners, managers and staff at these firms. Looking at Los Angeles County, overall, the US Census Bureau estimates that the County has 10,105,000 residents, of whom about half are female (50.7%) and a supermajority are nonwhite (73.8%), including 48.6% who are Latinx, 15.3% who are Asian American and 9.0% who are African American. About a quarter of County residents are White (26.2%).

Across the larger Securities industry (as measured by the Bureau of Labor Statistics in 2018), women make up 39.9% of the total workforce. Ethnic minorities make up 17.1% of the workforce, including African Americans at 5.4% and Asian Americans at 9.4%. Latinxs of any race, according to BLS classifications, comprise 8.4%. Some Latinxs are included in the 17.1% figure and some are not, because the BLS considers Latinx to be an ethnicity, not a racial classification. BLS data for the Securities industry does not include LGBTQ or disability status.

With respect to our local External Financial Partners, it is unclear how diverse the pool is or if they resemble, by any measure, the demographic profile of the County's residents and taxpayers. While demographic information is requested during the County's competitive solicitation processes for services provided by most of its External Financial Partners, the reported information varies among the firms and has not been compiled to determine overall gender and racial composition. This needs to occur.

Therefore, the County should begin tracking (and enhance) the diversity of its

pool of External Financial Partners by incorporating its adopted principles on diversity, inclusion and equal opportunity into the vendor outreach performed as part of our ongoing public finance activities. To the extent that enhanced outreach and vendor recruitment does not delay project planning, the TTC should do so as part of the planning process for future projects. Outreach should focus on firms that are emerging and/or owned by women, local residents, ethnic minorities, LGBTQ individuals, disabled veterans and disadvantaged persons, as well as more mainstream firms that show evidence of substantial diversity and inclusion in their recruitment, promotion and senior leadership.

**WE, THEREFORE, MOVE** that the Board of Supervisors direct the Treasurer and Tax Collector, in consultation with the Department of Consumer and Business Affairs, County Counsel, the Internal Services Department and other relevant County departments, to submit a report to the Board in 180 days with:

- A. An analysis, evaluation and recommendations regarding developing a Public Finance Diversity and Inclusion Initiative (Initiative) as part of the ongoing administration of the County's Public Finance program. The Initiative should focus on External Financial Partners, including Bond Counsel, Disclosure Counsel, Municipal Advisors, Bond Underwriters, Bond Trustees and Title Insurance Companies and emphasize, to the fullest extent possible, the inclusion and utilization of firms that have evidence of hiring and promoting women, LGBTQ individuals, disabled veterans and ethnic minorities, or those that are owned by these groups;
- B. Recommendations on implementing ongoing, project-specific outreach

and targeted vendor engagement, to educate the public finance vendor community on contracting with the County, to discuss specific upcoming or anticipated public finance opportunities and to help vendors navigate the County's contracting process;

- C. Recommendations on developing a diverse vendor database, to maintain an ongoing record of diverse securities industry individuals and firms that are interested in future public finance opportunities;
- D. Recommendations on structuring solicitations and resulting contracts in a manner that will reduce barriers to participation for diverse or emerging firms, which may include (i) subcontracting requirements or incentives or (ii) open-ended solicitations and "master agreements" that allow qualified vendors to propose or qualify at any time;
- E. An assessment of possible outreach and partnership opportunities with professional organizations in public finance, both locally and nationally, that are focused on women, LGBTQ individuals, minorities and other disadvantaged groups;
- F. Findings from outreach to other local public agencies who may be further along in achieving diversity among the firms and individuals providing public finance services to identify best practices for diversity and inclusion;  
and
- G. A recommendation on developing a region-wide Public Finance Diversity and Inclusion Initiative, focused on creating a regional approach to increasing representation by diverse firms and diverse individuals in public

financings. Other local public agencies might include the Los Angeles County Metropolitan Transportation Authority (Metro), the City of Los Angeles, the Los Angeles Unified School District, the Los Angeles Community College District and other similar entities.

**WE FURTHERMORE MOVE** that the Board of Supervisors instruct the Directors of the Department of Business and Consumer Affairs and the Internal Services Department to clarify, in their next update to Board Policy 5.130 “Contracting With Community Business Enterprise Firms,” that the policy is inclusive of firms owned by Lesbian, Gay, Bisexual, Transgender, Queer and Questioning individuals and to ensure that the County’s formal contractor outreach programs are inclusive of LGBTQ populations.

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