

MOTION BY SUPERVISORS HOLLY J. MITCHELL AND SHEILA KUEHL

April 20, 2021

LEVERAGING THE COUNTY’S POSITION AS A MARKET PARTICIPANT TO PROMOTE EQUITY IN COUNTY CONTRACTING

Long before the current COVID-19 global pandemic, evolving technologies, a shift to a climate-resilient economy and new ways of working disrupted career and entrepreneurial opportunities. Recognizing small businesses as a lifeblood of our local economy, the Board of Supervisors (Board) adopted a goal to purchase 25% of Los Angeles County’s (County’s) goods and services from Local Small Business Enterprises (LSBEs), and the County has made significant strides toward this goal, increasing small business utilization by over 62% since the goal was established in fiscal year 2014-15. However, since the onset of COVID-19, it is estimated that over 15,000 businesses in the County have permanently shuttered, with the pandemic taking a disproportionately heavy economic toll on women and communities of color.

As the County works to re-invigorate the local economy to continue to recover from COVID-19 while implementing the recommendations in the Los Angeles Economic Development Corporation’s (LAEDC’s) *Pathways to Economic Recovery* report, the County must explore enhancing contracting and procurement opportunities for small, local and emerging businesses, community-based organizations (CBOs) and non-profit entities to foster inclusiveness, diversity and economic development, which has long been a key priority for the Board. In 1991, the Board first adopted a Community Business Enterprise (CBE) program and established a Board policy to ensure that minority and women-owned businesses, including qualifying CBOs and non-profit entities, enjoy full and equal access to all the County’s procurement and contracting activities. The CBE program establishes a 25% overall annual participation goal, determined by the total dollars awarded, Countywide and for departmental and other County contracting authorities.

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BARGER	_____
SOLIS	_____

To ensure that our County residents and businesses are able to fully participate in and benefit from the \$6 billion of goods and services for which the County annually contracts, as well as additional Federal and state funding, we must evaluate all opportunities to promote the growth of small and emerging local businesses including CBOs and non-profit entities by increasing the participation of these businesses in the County's purchase of goods and services.

Moreover, in 2019, the County fully adopted a Community Benefits Policy for County Economic Development Projects to establish criteria and procedures for economic development projects in the County to generate economic benefits as a result of County investments. The Board has committed to using County resources on economic development projects such that the intended economic results are achieved: jobs for the local workforce, expansion of the County's tax base, and enhancement of the quality of life for County residents. The County can strengthen its local economy by promoting workforce development, small business utilization, and broad-based partnerships with the private sector. By making it a County priority to create opportunities for the local workforce and increase small business utilization in County contracting and procurement, the County can help to connect the innovation and entrepreneurship of our diverse communities with a clear vision for regional economic development.

With the onset of COVID-19, equity in the County's contracting and procurement process came to the fore on April 28, 2020, when the Board unanimously asked for a comprehensive plan to revive and re-open the County's economy and return to full employment, as was experienced before COVID-19. The Board recognized that this would only be possible by convening an Economic Resiliency Task Force (Task Force) that was representative of a public-private partnership with industries and governments working together. Of note, the Task Force convened a philanthropy and non-profit workgroup which directly recommended the need for an equity lens in funding and contracting, and ensuring that increased dollars go toward direct service delivery so that the most vulnerable populations have access to non-profit services.

Finally, according to the Citi Foundation, the benefit of diversifying contractors and opening the procurement process is threefold. First, it produces a broad community impact that is both common sense and quantifiable. Spreading government spending to contractors from various communities yields stronger communities, contributes to the overall growth of the middle class and, by proxy, creates a more robust taxpayer base. Second, inequality has a direct impact on business growth. Inclusion in contracting provides stable revenue and helps firms to gain the

experience necessary to grow. Public contracting often supports the growth of businesses that not otherwise have received an opportunity. These businesses have also shown to be more likely to hire staff of color or from underserved communities, and the growth of businesses owned by people of color helps to address the racial income and wealth gaps through both business and workforce development. Third, by creating a barrier-free, well-defined, and transparent procurement process, governments benefit through increased competition and higher quality contractors.

The County has embarked a several year process to make our contracting more transparent, and on September 29, 2020, the Board, led by Supervisors Barger and Solis, passed a motion to streamline the County's contracting process through enterprise technology solutions. We must build on this work. Equitable contracting—as policy, practice, and institutional culture—facilitates inclusive community economic growth, helps businesses owned by people of color to thrive and grow, makes the system more efficient, and attracts and assists talented new businesses to become potential partners. The County must pro-actively promote an anti-racist, diverse, equitable and inclusive procurement process as one strategy to achieve economic inclusion for all of our communities. An accessible County public contracting process is an important component of local economic recovery.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Chief Executive Officer (CEO), through the Anti-Racism, Diversity and Inclusion Initiative, together with the Director of the Internal Services Department (ISD), in consultation with the Auditor-Controller (AC), County Counsel, and the Directors of the Department of Consumer and Business Affairs (DCBA), the Department of Workforce Development, Aging and Community Services (WDACS), and other relevant County stakeholders, in partnership with contract streamlining efforts underway, and report back to the Board in 90 days in writing with a series of actionable recommendations and implementation timeline to further the County's goals around procurement equity and economic recovery. The report shall explore, among other items:
 - a. The creation of an arms-length technical assistance and capacity building program targeting underserved communities and community-based organizations (CBOs) and non-profit entities, so they can better access County contracting opportunities, including the evaluation of an interest-free CBO and nonprofit loan product as part

- of the capacity building;
 - b. Piloting the collaborative program design of certain types of County contracts, including unbundling, to allow smaller CBOs, businesses and nonprofit entities to access new smaller dollar value contract opportunities;
 - c. Requirements or preference for CBOs and nonprofit entities which expose County clients, including Youth@Work and other subsidized employment participants, to career opportunities at no cost to the contractor;
 - d. Geographic preferences or evaluation criteria for contracting with CBOs and nonprofit entities in communities most disproportionately impacted by COVID-19;
 - e. Taking best practices from DCBA's prompt payment program, a process by which small CBOs and non-profit entities are paid for their work more expeditiously, inclusive of the full procurement lifecycle, from the solicitation and contract management through invoice to payment;
 - f. Contracting tiers dependent upon dollar value of contract to allow small CBOs and non-profits to access lower dollar value contracts with less onerous legal and bonding/risk management requirements.
2. Direct the CEO together with the Director of ISD to report back in 90 days in writing with a proposed set of metrics to measure the impact any changes the contracting and procurement process have on economic opportunity.
 3. Direct the CEO together with the Director of ISD to report back in 90 days in writing with a governance structure to ensure appropriate implementation of recommendations and a community engagement strategy to collaboratively design any County contracting changes to promote greater equity.
 4. Direct the Director of DCBA, in consultation with the CEO, Director of ISD, A-C, and other departments as necessary, to prepare and report back to the Board in 90 days in writing on actionable recommendations and implementation timeline to further the County's goals around procurement equity and economic recovery, specific to small and diverse businesses, including:
 - a. The creation of an arms-length technical assistance and capacity building program targeting underserved communities and small and minority-owned businesses so they can better access County contracting opportunities, including the evaluation

- of small business loan product as part of the capacity building;
- b. Recommendations for unbundling particular categories of County contracts, as appropriate, to allow smaller contractors to access new smaller dollar value contract opportunities;
 - c. Requirements or preference for contractors who expose County clients, including Youth@Work participants, to career opportunities at no cost to the contractors;
 - d. A process and possible technology solutions to track and publicly report on all businesses and entities, to which the County awards contracts, with metrics, including local small business enterprises and community business enterprises, disaggregated by ethnicity and gender, where appropriate;
 - e. Geographic preferences or evaluation criteria for contracting with small and diverse businesses in underrepresented minority communities; and
 - f. Contracting tiers dependent upon dollar value of contract to allow small organizations to access lower dollar value contracts with less onerous legal and bonding/risk management requirements.

5. Authorize the CEO and the Director of DCBA, as needed, to retain a consultant(s) in support of any of the aforementioned directives.

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