

**REVISED MOTION BY SUPERVISOR MARK RIDLEY-THOMAS JANUARY 12, 2016
AND CHAIR HILDA L. SOLIS**

Los Angeles County Support for Local Small Businesses and Social Enterprises

The approximately 200,000 small businesses in Los Angeles County (County) are the foundation of the regional economy. The success of increasingly skill and technology-driven small businesses results in expanded economic opportunities for local residents and offers an effective path to the middle class. Small businesses account for approximately half of the County’s 3.5 million private sector jobs. Small businesses also recirculate wealth by increasing local sales and property tax revenue, which is reinvested into the community through public services. Local small business owners have been found to be better connected to their local communities through their engagement and leadership in civic organizations and have a tradition of investing in the well-being of their communities.

Some businesses have also distinguished themselves by accounting for their measurable social, public health and environmental impact. These social enterprises operating locally are willing to go the extra mile to certify their contributions to the regional economy, and the County should acknowledge those efforts.

However, unlike other public agencies, the County does not have a comprehensive administrative policy to encourage increased participation of local small businesses in the County’s procurement of goods and services. Examples of other

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public agencies with established programs include the City of Los Angeles, the City/County of San Francisco, City of Sacramento, the Los Angeles Metropolitan Transportation Authority, the State of California (State) and the federal government. A standard framework for encouraging social enterprise participation is still emerging, but previous models for encouraging non-profits offer a good starting point for discussion.

The State has been a leader in efforts to assist small businesses with the implementation of a comprehensive suite of innovative policies to increase small business and disabled veteran-owned business participation in its annual purchasing and contracting process. Each year, the State spends approximately \$9 billion on goods and services, construction and public works, with outside firms which include small businesses.

In 2006, the State established a 25% and 3% participation goal for small business and disabled veteran-owned business, respectively. The State then raised its simplified acquisition ceilings to allow agencies to purchase and contract with these businesses more easily. As a result, State agencies may now use a streamlined process to contract directly with certified small businesses and microbusinesses for goods, services, information technology for projects up to \$249,999, and public works projects up to \$281,000.

Finally, the State's Small Business Advocate collects participation data from several State agencies, monitors compliance with program goals, and reports small business utilization at both prime and sub-contractor levels. These efforts led the State to see average participation goals of 22.19% and 3.96% for these businesses, respectively, over the three-year period between fiscal years 2010-2013.

Due to its immense purchasing and contracting spending power, the County is in a unique position to strengthen its local economy. By promoting increased participation of local small business (LSBEs), disabled veteran-owned business (DVBEs) and social enterprise participation, the County can encourage the establishment of new

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businesses, the growth of existing small businesses, the creation of new local and disadvantaged worker employment opportunities, and the achievement of social, public health and environmental goals through innovation and private sector partnerships. By focusing this attention aggressively in expanding high-skill, high-wage sectors, as has been done with the bioscience industry, the County can help to connect the innovation and entrepreneurship of our diverse communities with a clear vision for regional economic development.

Previous County efforts to support small businesses include the establishment of a LSBE Preference Program (Program) by the Board of Supervisors (Board) in 2002 to enhance purchasing and contracting opportunities for small businesses located within the County. However, even with Program components that included outreach efforts and an 8% bid price reduction or “preference” incentive, certified LSBE’s account for only 1.7% or \$113 million of the County’s \$6.6 billion cumulative annual purchasing and contracting expenditure.

These economic development efforts were expanded in 2013 with the implementation of the DVBE Preference Program for businesses certified by either the State or the U.S. Department of Veterans Affairs.

On July 7, 2015, the Board directed the Department of Consumer and Business Affairs (DCBA) to assess a variety of options that would increase the utilization of local small businesses, disabled veteran-owned businesses and social enterprises. The Board also directed the DCBA to evaluate the timelines and resources required for a implementing a County-wide procurement goal of 25% LSBEs and 3% for DVBEs. The Board directive included a number of options for further study including implementing an independent County certification process, establishing County-wide purchasing and contracting goals, increasing the simplified acquisition ceiling, designating DCBA as the County’s Small Business Advocate, and establishing liaisons for LSBEs, DVBEs and social enterprises in the major purchasing and contracting departments.

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Additionally, pursuant to a May 12, 2015 Board motion, the Chief Executive Office (CEO) and other applicable departments were directed to analyze the feasibility of establishing a County preference program specifically for non-profit and for-profit social enterprises that have a history of employing men and women recently released from incarceration. These businesses can serve a critical function in aiding the formerly incarcerated in returning to society as productive, tax-paying citizens, reducing the rate of recidivism and saving tax dollars. At the same time, these businesses face higher operating costs associated with training, counseling and supervision and are thus at a competitive disadvantage.

Other social enterprises may similarly absorb higher operating costs when they employ and train disadvantaged workers. This is particularly the case for employers that contribute to robust training programs that could be certified as a social enterprise. The Departments of Community and Senior Services (DCSS), Probation and the Sheriff administer workforce development programs and place disadvantaged workers with businesses that would benefit from coordinated outreach and integration into County business promotion efforts. Additionally, the Department of Public Social Services (DPSS) administers the Transitional Subsidized Employment program and employers that participate in this program could also benefit from contracting and purchase assistance if they are certified.

On November 10, 2015, DCBA provided the Board with a comprehensive strategy to guide the County's procurement of goods and services to accomplish a double or even triple bottom line, achieving core purchase of goods and delivery of services, but also accounting for measurable social impact as well. DCBA could offer the platform whereby the Board can better establish and incentivize the achievement of targets related to the nature, scale and location of business partnerships, skill requirements and technological intensity of contracting and procurement activity, and measurable economic and community investment. Upon implementation of this

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strategy, when the Board is motivated by social impact and seeks to provide assistance to disadvantaged community members, better aligned business support programs will be an increasingly effective avenue to identify and support specifically these disadvantaged business owners, employees and trainees. Now, DCBA is being asked to recommend to the Board a pilot process to establish additional targets to support enterprises that accomplish measurable social, public health, and environmental best practices.

DCBA's analysis of the various available options for increasing the County's utilization of LSBEs, DVBEs and social enterprises is accompanied by a clear action plan, a timeline with periodic evaluation, and an estimation of the resources required for implementing County-wide procurement goals of twenty-five percent (25%) for LSBEs and three percent (3%) for DVBEs, as well as recommendations for securing measurable social enterprise participation in the County's annual contracting for goods and services. DCBA's strategy has set forth a sustainable work plan for accomplishing the above goals already set forth by the Board.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Designate the Department of Consumer and Business Affairs (DCBA) as the lead department for implementing a County Small Business and Social Enterprise Utilization Plan and the County's Advocate Program for local small business enterprises (LSBEs), disabled veteran-owned enterprises (DVBEs) and social enterprises.
2. Direct all County Departments that procure goods or services to designate Advocates that will be tasked with providing procurement information including but not limited to business employment size, location(s), ownership, industrial classification, details on programs for training and hiring local or disadvantaged workers, any business certification status for all contracts for goods and services to the Director of DCBA by March 1, 2016.

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3. Authorize the Director of DCBA to secure a consultant or consultants to:
 - a. Assess the State's definition of a "small business" and determine whether it is consistent with County procurement needs;
 - b. Develop an independent County, unincorporated areas, or more flexible or contract-specific local business certification process; and
 - c. Analyze the above procurement and contracting data to assess the feasibility of implementing policies and procedures to regularly report the industrial classification of businesses, the occupational categories of employees engaged on contracts, and the nature and/or type of goods and services purchased by County agencies.
4. Direct the Director of DCBA and Internal Services Department (ISD), in consultation with the Department of Community and Senior Services (DCSS), the Department of Public Social Services (DPSS), and other departments that may offer employer placement for workforce development program participants and recipients of County-administered public assistance, to develop certification processes for LSBEs, DVBEs and social enterprises that interface with the County's vendor certification software, promote multiple certification options and maximum reciprocity among certifying entities, including but not limited to Federal, State and Los Angeles County Metropolitan Transportation Authority (Metro) and, if necessary, assess the need to implement industry standard vendor certification software and data management if existing software is not suitable for long-term needs.
5. Adopt the proposed definition of social enterprises contained in the CEO's August 13, 2015 report "Feasibility of Establishing a Preference Program for Social Enterprises".
6. Direct the Directors of DCBA, ISD, Department of Public Works (DPW), the Los Angeles County Health Agency, DCSS Businesses and Professional Services

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(BPS) unit and other applicable departments to develop by April 26, 2016, a four-year action plan for attaining procurement goals of twenty-five percent (25%) for LSBEs and three percent (3%) for DVBEs by 2020.

7. Direct the Director of DCBA, in collaboration with the CEO and other applicable departments, to:
 - a. Provide a written report to the Board by May 17, 2016, detailing a process by which future County contracts are evaluated for their applicability to programs for certified or qualified but not yet certified LSBEs, DVBEs and social enterprises, to determine the County's total available expenditure for these programs.
 - b. Request Board consideration by April 26, 2016, of proposed revisions to County policies related to increasing the County's delegated authority ceiling to \$25,000 for eligible departments based on past compliance with procurement policies and procedures, as proposed in the CEO's August 19, 2015 report "Evaluation of Existing Preference Programs in Purchasing and Contracting Activities".
 - c. Request Board consideration by April 26, 2016, of an increase from eight percent (8%) to fifteen percent (15%) for the bid price reduction preference for LSBEs and DVBEs, as proposed in the CEO's August 19, 2015 report, including a written report and recommendation on the feasibility of allowing more flexible percentage preference increases on an as-needed basis in order to achieve program milestones by 2020.
 - d. Request Board consideration by April 26, 2016, of proposed amendments to applicable ordinances to remove the \$50,000 cap on price preferences.
 - e. Establish departmental guidelines, procedures, and a monitoring process for the implementation of a delegated authority process with a \$25,000 ceiling.

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- f. Design a two-year set aside pilot program for Board consideration by May 17, 2016.
 - g. Request Board consideration by April 26, 2016, for an allocation of resources to enhance existing technical assistance provided to businesses seeking to certify and provide goods and services as a certified business entity.
 - h. Request Board consideration by April 26, 2016, of guidelines and procedures for posting the results of the County's achievement of its target business utilization goals, including reporting of achievement by specific County departments.
 - i. Request Board consideration by April 26, 2016, of appropriate options to incentivize departmental excellence and best practices in achieving procurement and contracting goals.
8. Direct the Director of DCBA, in consultation with ISD, DPW, the Los Angeles County Health Agency, DCSS, DPSS, and other applicable departments as well as the Proposition 47 Jobs and Services Taskforce, the Affordable Housing Coordinating Committee, the County's Bioscience Taskforce, and the Countywide Sustainability Council, to develop by May 31, 2016, a four-year action plan beginning July 1, 2016, to pilot social enterprise certification and procurement goals to be achieved in target industries and occupations by June 30, 2020.
 9. Direct County Counsel, in collaboration with the CEO and the Director of DCBA, to draft amendments to relevant ordinances centralizing the certification process, including modifications needed to the Transitional Job Opportunities Preference program ordinance.
 10. Direct the Director of DCBA to track and monitor small business and social enterprise utilization by:

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- a. Establishing a work group comprised of representatives from DCBA, ISD, DPW, ~~DHS~~ the Los Angeles County Health Agency, DCSS (BPS), and other applicable departments to:
 - i. Develop proposed policies and procedures to identify the certification status and certification eligibility of subcontractors.
 - ii. Design a two-year pilot program to capture select subcontract information.
- b. Commencing a two-year pilot program to capture select subcontract dollars using third party software by January 1, 2017.

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(DR/RH)