AGN. NO.

REVISED MOTION BY SUPERVISORS HOLLY J. MITCHELL AND SHEILA KUEHL August 9, 2022

Implementing the Priority Strategies of the Equity in County Contracting Project Team

Small employers have long held that doing business with the County of Los Angeles (County) could be reimagined to create a more streamlined and accessible process, with entities that are representative of the greater County employer community. On April 20, 2021, the County Board of Supervisors' (Board) adopted the Equity in County Contracting (ECC) motion to promote an equitable and inclusive County contracting process and to increase access to over $6 billion in procurement opportunities for small employers. As outlined in the motion, the ECC initiative builds on several past and ongoing efforts to leverage the County's position as a market participant to foster inclusiveness, diversity, and economic development.

There are myriad community benefits to increasing contracting access for small businesses, community-based organizations (CBOs), and nonprofits. As highlighted by the Citi Foundation, greater public investment in diverse small businesses increases access to economic opportunity and builds wealth. Public contracting opportunities provide small firms - particularly those facing systemic barriers to capital - with the necessary stable revenue and experience to enable growth. Investment can also catalyze local jobs, particularly in low-income communities of color, as research shows that small

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businesses are more likely to hire diverse local talent.

For nonprofits, when governments effectively resource and partner with local service providers, they can collaboratively drive better outcomes for individuals, families, and communities. As an Op-Ed from Results for America, a nonprofit focused on building evidence-based government practices, stated: "Contracting with nonprofits helps local governments provide services that meet the unique needs of individual communities in a culturally competent manner. It also enables [governments] to employ subject-matter expertise that is often more specialized than that of large government agencies. These partnerships help government be more nimble and responsive to changes by providing the flexibility to procure the right providers with the right expertise at the right time. All of which fulfills the primary goal of government services, which is to meet constituent needs through the efficient and equitable investment of taxpayer dollars." The ECC initiative thus plays a central role in the County's overall commitment to a "Care First" model because inclusive procurement will strengthen the ecosystem of CBOs that serve our highest need residents.

Over the past year since the ECC motion was adopted, numerous departments and community stakeholders have undergone a process to assess key barriers and challenges with the County's contracting system and to identify high-potential solutions. In August 2021, the Department of Consumer and Business Affairs provided a report back to the Board with actionable recommendations in response to specific directives in the ECC motion. This work built on findings from the four-year Small Business Utilization Plan that was developed in 2016. The Chief Executive Office (CEO) also submitted a report back to the Board in August 2021, on an overall framework to implement the motion, including the establishment of the ECC Project Team (housed within the CEO's office) and the development of an extensive stakeholder collaboration process with CBOs and nonprofits.

As part of this process, the CEO's ECC Project Team has assembled four main Action Teams and several associated Workgroups: 1) Access, Technical Assistance, and Capacity Building; 2) Contracting Nuts and Bolts; 3) Data and Metrics; and 4) Implementation and Monitoring. Composed of subject matter experts from County

departments, CBOs, and nonprofits, the Action Teams and Workgroups have reviewed existing contracting practices and begun to identify, prioritize, and implement solutions to challenges across the four focus areas. Most recently, in April 2022, ECC nonprofit leaders sent a letter to the Board, outlining their priorities for investing public dollars more equitably and urging the County to progress key outcomes.

Given this extensive input process to date, and the unprecedented influx of funding from federal and state programs, the County must begin urgently implementing priority ECC strategies. We must ensure that our systems are proactively anti-racist, allowing for current and new funding streams to reach organizations that have historically been systemically excluded from procurement opportunities. Recognizing that this initiative will require a Countywide continuous improvement process, the following directives are critical steps to transform the County's procurement policies, practices, and culture.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

1. Direct the Chief Executive Officer (CEO) to:
    a. Develop a centralized contracting and procurement office within the Internal Services Department (ISD), in collaboration with the Director of the Department of Economic Opportunity (DEO), that would be both an internal resource to County departments and an external resource to small employers looking to contract with the County more easily. This office shall, among other priorities:
        i. Institutionalize the work of the Equity in County Contracting (ECC) Action Teams and Workgroups;
        ii. Lead the work of continuous, equitable and efficient improvements to the County's contracting and procurement processes, in consultation with the Executive Director of the Antiracism, Diversity and Inclusion Initiative;
        iii. Establish training schedules and provide training to County departmental contract and procurement managers and staff;
        iv. Develop recommendations to address the barriers to equitable reimbursement and compensation of contractors, including

issues related to inadequate indirect cost rates and prohibitive insurance costs for contractors ~~Review and make recommendations to improve the County's cost-reimbursement policy related to contractors' approved indirect cost rate~~;

v. In partnership with DEO, meet on a regular, scheduled basis with CBOs and nonprofit stakeholders to identify, address, and streamline issues within the County contracting and procurement system.

b. Report back to the Board in writing in the Fiscal Year 2023-24 Recommended Budget phase identifying staff and resources to operationalize the centralized contracting unit, effective in Fiscal Year 2023-24.

2. Direct the Director of DEO, in consultation with the CEO, County Counsel, the Director of ISD, the Auditor-Controller (A-C), ECC Action Teams and Workgroups, and other relevant departments and stakeholders to take the following actions:

a. Drawing on prior Board reports and the work of the ECC Action Teams and Workgroups, report back to the Board in writing within 60 days identifying barriers to certification as County Local Small Business Enterprises (LSBEs), Disabled Veteran Business Enterprises (DVBEs) and as Social Enterprises (SEs) that qualified businesses, CBOs and nonprofits experience as well as recommendations to address those barriers and an associated Implementation Plan. The report should discuss outreach efforts and ways to increase qualified businesses, CBOs, and nonprofits awareness of and ability to participate in the aforementioned preference programs, including ways to incentivize certification by, for example, connecting certified entities to technical assistance and capacity building. The report should also explore ways to tier contracts to allow smaller enterprises to compete against other smaller enterprises; and

b. Within 90 days and unless otherwise directed by the Board, start to execute the Implementation Plan and provide bi-annual progress reports until implementation is substantially complete.

3. Direct the Director of DEO and the A-C, in consultation with the CEO, County Counsel, Director of ISD, and the ECC Action Teams and Workgroups to:
    a. Recommend changes to the Small Business Payment Liaison and Prompt Payment Program Policy to expand the prompt payment program to include certified DVBEs and SEs and report back to the Board in writing in 60 days;
    b. Report back to the Board in 120 days in writing with recommendations for designing an interest-free revolving loan fund to provide start-up funds and working capital for CBOs and nonprofits, and a low-interest loan fund to provide start-up funds and working capital for small businesses. The design should identify funding sources, an implementation entity, approach, and a timeline. The design should also leverage learnings from the County's small contractor bonding fund program currently administered by Merriwether & Williams Insurance Services.
4. Direct the A-C, in consultation with the CEO, and Directors of DEO and ISD, within 180 days, to coordinate with all departments to expand efforts to use the Electronic Countywide Accounting and Purchasing System or other methods, including, but not limited to surveys of departments, to transparently report on procurement data for small businesses, CBOs, and nonprofits, including:
    a. Publicly reporting on annual utilization data for LSBEs, DVBEs, and SEs;
    b. Tracking and publicly reporting on annual utilization data for Community Business Enterprises, including a disaggregation by demographic category: Women Business Enterprises, Minority Business Enterprises, Disadvantaged Business Enterprises, and Lesbian, Gay, Bisexual,

Transgender, Queer, and Questioning-Owned Business Enterprises;

c. Reporting back to the Board in 60 days in writing on a plan to track and publicly report departments' average payment cycle times - from the date an invoice is received to the date that it is paid.

5. Direct County Counsel, in collaboration with the Director of DEO to return to the Board within 90 days with an ordinance for introduction that codifies the County's 25% utilization goal for LSBE's and 3% utilization goal for DVBEs.
6. Direct the Director of ISD in consultation with the CEO, A-C, and Director of DEO, to:
    a. Within 60 days, implement a one-year pilot program for one or more departments that will increase the Simplified Acquisition Process (SAP) threshold in those departments to $100,000. The pilot department(s) should be selected based on contracting volume to ensure utilization of an expanded SAP and existing contracting controls to prevent fraud; and
    b. Report back in writing within 90 days describing the pilot program launch and report again in writing at the conclusion of the pilot period with associated findings and recommendations and proposed phasing to increase the SAP threshold to $100,000 for all departments Countywide.
7. Direct the Director of ISD in consultation with the CEO, A-C, and Director of DEO, to:
    a. Within 90 days, develop a pilot program for one or more departments that will mandate annual automatic contract advances for a specified set of contracts with CBOs where feasible (given legal, funding, and other restrictions) and require the chosen departments to report back to the Board on progress on a bi-annual basis; and
    b. Report back to the Board in writing in 90 days with the proposed contract advance policy and the plan to implement the policy across the pilot departments, including requirements that pilot departments must fulfill.

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