

**MOTION BY SUPERVISOR HOLLY J. MITCHELL**

August 6, 2024

**Leveraging Existing Health Expenditures to Promote the Local Economy**

The County of Los Angeles (County) Board of Supervisors (Board) has long held that making its contracting process more accessible for small businesses and non-profits owned by under-represented populations, including veterans, Black, Indigenous, People of Color, people with disabilities, and LGBTQIA+ people benefits the public. The County purchases approximately \$8 billion in goods and services annually and competitively procures much of that spending.

The Board designated the newly established Office of Countywide Contracting (OCC) within the Internal Services Department (ISD) as the central office for contracting and procurement that will standardize practices for securing and paying contractors equitably across all County departments. It is critical that the OCC works efficiently, particularly with our largest County departments, to streamline the procurement process and ensure that the County contracts with diverse vendors. For example, the Department of Health Services (DHS) is a critical safety net provider and potential driver of local economic opportunities. DHS' Contracts and Grants Division manages approximately 1,700 contracts with a cost of roughly \$1.2 billion a year. These contracts include roughly 30 sole-source contracts costing over \$25 million a year.

In light of this market power, on September 12, 2023, the Board directed DHS, in collaboration with the Chief Executive Office's (CEO) Anti-Racism, Diversity, and

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MOTION

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Inclusion (ARDI) Initiative to report back in writing in 90 days with recommendations on how DHS could utilize ARDI's tools to ensure their sole-source and other contracts advance Countywide strategic DEI goals<sup>1</sup>.

On December 14, 2023, DHS released its report-back and recommended<sup>2</sup>:

- Making improvements to the solicitation process and contract language by including equity, diversion, inclusion, and anti-racism objectives.
- Utilizing the County's best practices for unbundling contracts to identify opportunities where unbundling would be feasible and would result in economic empowerment of marginalized communities and greater participation by smaller businesses.
- Developing an outreach and marketing initiative to increase awareness of contracting opportunities for diverse local vendors; and Consulting with ISD and the Department of Economic Opportunity (DEO) to provide technical assistance to vendors on navigating the DHS contracting process.

In Fiscal Year 2023-24, the Board approved adding 24 positions to the DHS Equity, Diversity, Inclusion, and Anti-Racism (EDIA) initiative. DHS planned to assign one position to its Contracts & Grants Division to focus on EDIA initiatives in their contracting processes.

The September 12, 2023, motion was part of a concerted effort that the Board has made over the last three years to improve how its contracting procedures promote participation from the County's local diverse business community. For example, on April 20, 2021, the Board adopted a motion (*Leveraging the County's Position as a Market Participant to Promote Equity in County Contracting*<sup>3</sup>), directing the CEO and other departments to develop recommendations to promote the County's goals around procurement equity and economic recovery. Among other things, this motion directed the Departments to explore preferences for community-based organizations and nonprofit entities that provide youth career opportunities, and to explore more expeditious payment methodologies.

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<sup>1</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/183959.pdf>

<sup>2</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/184017.pdf>

<sup>3</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/157521.pdf>

On August 9, 2022, the Board adopted a motion (*Implementing the Priority Strategies of the Equity in County Contracting Project Team*<sup>4</sup>), directing the Departments to implement County contracting equity strategies. Among other things, this motion directed the CEO to develop a centralized contracting and procurement office within ISD in collaboration with DEO that would be both an internal resource for County departments and an external resource for small employers.

Finally, on January 9, 2024, the Board adopted a motion (*Advancing High Road Jobs by Harnessing the County's Procurement Power as a Market Participant*<sup>5</sup>) directing ISD, in collaboration with DEO, to analyze the County's top 10 largest contracts and all contracts competitively procured at over \$5 million annually. On April 8, 2024, ISD issued a comprehensive written report-back and survey of County department practices and contracts, including DHS' 48 contracts over \$5M<sup>6</sup>.

This is a good opportunity to creatively explore how the larger County departments that serve a wide community, like DHS, can meaningfully incorporate equitable contracting principles to create more local business opportunities while advancing the health of patients and the community.

**I THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:**

1. Direct the Department of Health Services (DHS), in coordination with the Chief Executive Office (CEO)'s Anti-Racism, Diversity, and Inclusion (ARDI) Initiative, and in consultation with the Internal Services Department (ISD), to report back to the Board in writing in 90 days on steps taken by DHS to implement each of the recommendations identified in their December 14, 2023, report. This report should, at a minimum, include:
  - a. Any progress made, since the Board's September 12, 2023, motion, to promote equity, diversity, and local economic recovery through DHS' contracting; and
  - b. Progress in adding one or more new Fiscal Year 2023-24 Equity, Diversity, Inclusion, and Anti-Racism (EDIA) positions to aid in efforts to

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<sup>4</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/171765.pdf>

<sup>5</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/187551.pdf>

<sup>6</sup> <https://file.lacounty.gov/SDSInter/bos/supdocs/187732.pdf>

promote EDIA goals through DHS contracting.

2. Direct DHS, in consultation with ISD and the Department of Economic Opportunity (DEO), to report back to the Board in writing in 90 days on its progress implementing the Board's August 9, 2022, motion, *Implementing the Priority Strategies of the Equity in County Contracting Project Team*, regarding County contracting equity strategies. In particular, the report should include:
  - a. How DHS will work with the Office of Countywide Contracting within ISD to forecast potential solicitations and contracting opportunities, reach out to diverse communities and build a pipeline of contract-ready firms, and how the Department could amend its solicitation and contracting documents and process to ensure greater inclusion.
  - b. DHS' efforts to implement each of the directives 2 through 7, in particular:
    - i. Which DHS existing contractors have been certified as County Local Small Business Enterprises, Disabled Veteran Business Enterprises and Social Enterprises.
    - ii. Use by DHS of any prompt payment programs, and/or interest-free, revolving, or low-interest loan funds to assist smaller businesses, non-profits, and CBO's; and
    - iii. Utilization by DHS of Community Business Enterprises, Women Business Enterprises, Minority Business Enterprises, Disadvantaged Business Enterprises and LGBTQ-Owned Business Enterprises in its contracts.
  - c. The ratio of DHS contractors with headquarters located in Los Angeles County vs. contractors with headquarters outside Los Angeles County, by overall spending and percentage utilization.
3. Direct DEO and ISD to work with DHS to include in the next report to the Board in response the January 9, 2024, motion, *Advancing High Road Jobs by Harnessing the County's Procurement Power as a Market Participant*, DHS' progress implementing high road training partnership programs and other pre-apprenticeship and job training programs. This would include DHS' participation in County pipeline programs such as the Preparing Los Angeles

- for County Employment (P.L.A.C.E.) and Delete the Divide internship programs; numbers of placements made by DHS in these internship programs; and how many jobs these DHS contracts have created for Los Angeles County residents (vs. residents from outside Los Angeles County).
4. Direct CEO, in consultation with DHS, ISD, DEO and other appropriate departments, to report back to the Board in writing in 90 days, and semi-annually thereafter, with any other recommendations that promote ARDI and DHS' EDIA goals and the local economy through contracting and other means.
  5. Direct CEO, ISD, DEO and DHS to provide a verbal report back to the Board at the November 26, 2024, Policy and Presentation Board meeting on progress to improve contracting equity and local business opportunities through County contracts.

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(YV/CT/PL)