

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council District: All

To: City Council

From: Matthew W. Szabo, City Administrative Officer

Subject: **INCLUSIVE PROCUREMENT: COMMUNITY LEVEL CONTRACTING AND
SMALL INCLUSIVE PROCUREMENT**

RECOMMENDATIONS

That the City Council:

1. Instruct the Office of Procurement to launch the Inclusive Procurement Program Pilot; and,
2. Direct departments to post all contracting opportunities, inclusive of all sole-sourced service contracts, regardless of whether it was in writing or not, on the City's Regional Alliance Marketplace for Procurement (RAMP).

SUMMARY

On October 13, 2023, Council approved the Trade, Travel, and Tourism Committee report recommendations for the Office of Procurement (OOP) to work with City departments to identify contracts appropriate for Community-Level Contracting (CLC) and to identify next steps for adopting the practice of CLC citywide.

In a survey conducted by OOP, most City departments identified a need for additional staff, training, and resources in order to implement CLC. This report proposes an Inclusive Procurement Program Pilot (Pilot) as an alternative next step to deploying CLC citywide without placing new contractual administrative requirements for City staff. The Pilot entails OOP administering 12 CLC or small inclusive procurement opportunities and partnering with the Economic Workforce and Development Department (EWDD) and the Bureau of Contract Administration (BCA) to develop and deploy targeted marketing, outreach, and training resources. It further discusses the need for all the City's procurement opportunities to be posted on RAMP to increase visibility of all contractual opportunities that may be appropriate for small and first-time bidders. The report concludes with concurrent OOP efforts to improve accessibility of the City's procurement processes.

DISCUSSION

This Office previously reported on existing programs to increase and diversify participation in City contracting (C.F. 22-0098) which included CLC. Council instructed OOP to report on identified CLC-appropriate contracting opportunities and resources that may be required to implement CLC citywide.

In April 2024, the OOP released a survey asking all City departments to:

- Identify one to three contracting opportunities that can be unbundled or broken down into smaller work packages for CLC or considered as a one-time Small Inclusive Procurement (SIP); and
- Indicate resources required to implement CLC.

OOP subsequently included SIP into the survey, which is categorized as contracts valued at \$150,000 or less and includes opportunities valued less than \$25,000, where competitive bidding is not required. The inclusion of SIP can benefit the City's small and local business enterprises in that the City's Local Business Preference Program (LBPP), when applied to contracts valued less than \$150,000, provides a 10 percent preference for Local Small Business (LSBE) or Local Transitional Employers (LTE) only. Proposers who are not certified LSBE or LTE may still receive a preference of up to five percent if a proposer's bid or proposal subcontracts with a certified LSBE or LTE. These preference rules would be in contrast to the LBPP rules for contracts over \$150,000 where certified Local Businesses Enterprises, regardless of size, would also qualify for the preference. In addition, SIP includes opportunities with lower contract limits and presumed simpler scopes of work that could be perceived as less intimidating for first-time bidders. It provides an opportunity for first-time bidders to gain experience and familiarity with the City's contracting processes and requirements.

Survey Results on Available Opportunities

A total of 36 City departments, offices, and bureaus responded to the survey. Of the 51 contracting opportunities that can be considered CLC and/or SIP, 79 percent are for professional services and the remaining 21 percent are for construction services. Not all City departments were able to immediately identify CLC or SIP opportunities, which highlights the need for additional staff training to better identify and execute procurement opportunities that are appropriate for small businesses. OOP, with BCA in some meetings, met with departments who requested assistance with identifying CLC or SIP opportunities.

While the projects that were identified by the departments in April have already been released, the survey results provided insight regarding the types of contractual opportunities that are appropriate for CLC and SIP. Many of the City's procurement opportunities are competitively bid every three to five years, which creates a cycle of procurement activities that can be proactively managed to help plan for future outreach, marketing, and training needs. It should be noted that not all procurement opportunities are appropriate for unbundling. These circumstances include when the work is scientific or technical in nature, and the existence of industry requirements or legal limitations prevent unbundling.

Survey Results on Resources Requested

Over 55 percent of the departments who responded to the survey reported that they require additional staff to manage the anticipated workload associated with unbundling or competitively bidding additional contract opportunities. Departments also requested training, development of a CLC manual, and templates to assist in administering CLC opportunities.

Additional staff or contractual resources would be needed to help with the thoughtful identification of CLC or SIP opportunities; conducting research and outreach to the relevant business communities; and providing assistance and guidance to bidders who may be unfamiliar with the City's procurement process. These new responsibilities would be in addition to the administrative workload normally associated with contracts which includes drafting solicitations, reviewing proposals, drafting and negotiating contracts, monitoring contractor progress, processing payments, and closing out contracts.

Implementation of an Inclusive Procurement Program Pilot

In acknowledgement of the citywide survey results highlighting the need for additional staff to conduct CLC, OOP is proposing the Pilot as an incremental step towards implementing CLC citywide. The Pilot would entail the administration of the CLC procurement opportunities by OOP staff, development of a procurement readiness curriculum in coordination with EWDD and BCA, deployment of targeted outreach, and dissemination of training through the Office of the Mayor's ProcureLA Program and BCA's outreach events.

The following outlines the next steps for the proposed Pilot:

1. OOP to request all Council-controlled City departments to submit one to three procurement opportunities for OOP's consideration to administer from the development of the Request for Proposals to the award recommendation process. Departments will be responsible for negotiating the contract, requesting when necessary subsequent Mayor and Council approval, executing the contracts, and subsequent administration of the work to be performed by the contractor. The following are factors that will be taken into consideration when determining the procurements that will be selected for this Pilot:
 - a. Opportunity must either be appropriate for a CLC or a SIP.
 - b. If applicable, the department must provide the identity of all bidders and the awarded contractor(s) from when the services to be contracted were previously competitively bid.
 - c. Services to be rendered must be anticipated to begin no earlier than July 2025 to allow for the appropriate marketing, outreach, and training to occur for the procurement opportunities selected.
 - d. OOP to prioritize selection of procurement opportunities that could result in the most contracting opportunities for small and diverse businesses.

- e. Consideration will be given to departments who do not have dedicated contract support staff or for which the ratio of available staff and procurement is higher among other departments who submit procurement opportunities for this Pilot.
 - f. OOP will select approximately 12 opportunities to administer.
- 2. OOP to work with EWDD to leverage the Business Source Centers to provide support for the business community in facilitating outreach, training, and assistance in responding to procurement opportunities identified for the Pilot.
 - 3. OOP to work with BCA to:
 - a. Update and expand existing CLC training resources to include methods and tools for City staff to be able to procure more efficiently.
 - b. Coordinate with BCA on aligning their outreach efforts to include training for potential proposers to the proposed procurements identified for the Pilot.
 - 4. OOP to work with EWDD and BCA to develop a City procurement contracting readiness curriculum and deploy it through the Office of the Mayor's ProcureLA Program.

Through this Pilot, OOP estimates administering a total of 12 opportunities, one for each month. The limited number of opportunities can ensure that increased levels of targeted outreach, marketing, and training for potential bidders, and coordination with the relevant City departments for each opportunity can be completed. It is anticipated that a focused approach will increase the likelihood of meaningful results and changes to bidder participation.

It is anticipated that this Pilot will also inform OOP on how to implement industry best practices within the context of the City's procurement environment. These lessons can be memorialized in subsequent training and resources to be developed for City staff, in coordination with EWDD and BCA. Successful implementation of the Pilot is anticipated to increase the number and diversity of bidders. As new bidders increase in confidence and familiarity with the City's procurement process, it is anticipated to also increase the number of successful small and diverse bidders.

The Pilot is not intended to replace the need for additional staff as indicated by City departments to implement CLC and SIP citywide. However, it allows for an incremental advancement towards the City's efforts to make procurements more accessible to bidders who are interested in doing business with the City.

Requirement to Post All Contracting Opportunities

LAAC allows the City to sole source procurements valued below \$25,000 (LAAC Section 10.15) and has a contract in writing threshold of \$25,000 (LAAC Sections 10.1.1, 10.2, and 10.2.1). These regulations are essential options for departments to execute expedited procurements. However, these lower dollar value contracts can also be seen as less threatening and appropriate for small businesses or first-time governmental bidders. Many of these opportunities are not posted on

RAMP. Consequently, this reduces the visibility of these contractual opportunities. It is recommended that Council reaffirm instructions previously provided through Executive Directive 35 (Garcetti) and instruct City departments to post all contracted services opportunities on RAMP, including opportunities that are sole-sourced and valued less than \$25,000. This practice will enable OOP to determine the volume and the scope of work of these opportunities and make further recommendations, if necessary, on how to potentially incentivize departments to competitively bid these opportunities.

Current OOP Efforts that Support Increasing and Diversifying Procurement Participation

This Office is concurrently exploring other methods to help City staff and vendors become more proficient in navigating the City's procurement process.

Outreach. OOP conducts monthly RAMP registration webinars that provide the business community a live informational session on the benefits of RAMP and how to register; and produces bi-weekly RAMP newsletters that go out to 90,000 businesses that showcase departmental procurement, community business organization events, and training events. The OOP has also piloted a recorded five-part Small Business Webinar series to provide an overview of City procurement tailored for the small and diverse business community. In addition, OOP also maintains a social media presence in Instagram, Facebook, and LinkedIn.

Training and Resources. OOP is developing an online procurement training program that will be made available to all City employees on Cornerstone. This will create a baseline understanding in conducting procurements within a Council-controlled department. The training will also include advanced procurement concepts for Department Contract Coordinators to more effectively plan and address procurement-related challenges. Raising the standard level and skill of departmental staff can promote a better procurement experience for all first-time bidders. The first of four phases of this training program is estimated to launch at the end of the calendar year.

Technology. OOP is developing an end-to-end digitized procurement platform for City departments. This platform can unify the City's bid solicitation, e-bidding, bid evaluation, contract award, and contract management tools to one location, provided that City departments use the platform. It will allow vendors to experience transparency, standardization, and reduction to some of the barriers in participation in the City's bidding process. The first phase of the end-to-end procurement platform is anticipated to launch on January 8, 2025.

Further proposed enhancements will include creating a more intuitive and user-friendly interface and experience on RAMP and designing a webpage dedicated to providing resources and content for the small and diverse business community, including highlighting and forecasting opportunities that are meant for the small and diverse business community.

FISCAL IMPACT STATEMENT

Approval of the recommendations in this report will not result in a General Fund impact.

FINANCIAL POLICIES STATEMENT

The recommendations in this report are in compliance with the City's Financial Policies in that budgeted resources are recommended for implementation of the pilot program.

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