

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 11, 2021

CAO File No. 0220-05819-0000
Council File No. 19-0078
Council District: Citywide

To: Ad Hoc Committee on Comprehensive Job Creation Plan

From: Richard H. Llewellyn, Jr., City Administrative Officer 

Reference: Request for report from the Ad Hoc Committee on Comprehensive Job Creation Plan to obtain cost recovery for the replatforming, development, and maintenance of the City's regional procurement portal and funding for related business outreach

Subject: **REGIONAL PROCUREMENT PORTAL COST RECOVERY AND OUTREACH**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Request the City Attorney to prepare and present the necessary ordinances to effectuate the fees to access the City's regional procurement portal in the amount of \$2,510 for each license, and to establish a trust fund for the funds received from the fees;
2. Instruct the Information Technology Agency (ITA) and the Chief Procurement Officer (CPO) to include an electronic payment module to collect the regional procurement portal fee and develop the policies and regulations associated with the administration and collection of the fee;
3. Instruct the ITA to require staff working on the Portal to categorize time spent in either the development or the maintenance of the Portal to enable accurate billing for staff costs reimbursement and calculation for future fee studies, prior to the launch of the Regional Platform scheduled for summer 2021;
4. Instruct the ITA and the CPO to report to Council within six months of the launch of the regional procurement portal to provide the status of implementation, including the total number of City departments, governmental agencies, and private sector entities utilizing the portal, the number of licenses issued, staffing needs, and general program outcomes; and,
5. Instruct the Office of the City Administrative Officer to review and reconcile the actual costs of the regional procurement portal after the first year following implementation to ensure the fee captures all costs and to recommend any necessary adjustments in the fee.

SUMMARY

On June 10, 2020, the Council adopted an Ad Hoc Committee on Comprehensive Job Creation Plan report (C.F. No. 19-0078) recommending the replacement of the Los Angeles Business Assistance Virtual Network (LABAVN) with a proposed regional procurement portal (Portal). In addition, the report instructed the Office of the City Administrative Officer (CAO):

- To conduct a fee study to obtain cost recovery, full or in part, for the replatforming, continuous development, and annual maintenance costs of the Portal; and
- Along with the Chief Legislative Analyst (CLA) to work with the Chief Procurement Officer (CPO) to identify funding for a contract with an external organization to do business outreach and engagement; and
- Along with the CLA to seek Federal Emergency Management Agency or other sources of Federal or State COVID-19 emergency response sources of funding for this project.

LABAVN, the City's current procurement and solicitation system, was established in 2003 as a digital bulletin board for City contract opportunities. The Information Technology Agency (ITA) has advised that the underlying platform for LABAVN is dated and cannot accommodate additional features necessary for the creation of the Portal. Council provided one year's funding and authorized ITA to procure software licenses necessary to replatform LABAVN. The City's new internal Portal is scheduled to launch March 25, 2021. The Regional Platform is scheduled to launch summer 2021.

The version of the Portal that will be available on March 25, 2021 will have similar functionalities as the prior LABAVN with a more user-friendly interface but also will have the potential for further enhancements that include but are not limited to:

- Centralize the City's procurement systems and data; and
- Simplify the City's procurement process.

When the Regional Platform is launched this summer, the system will have the ability to aggregate contracting opportunities from other public and private sectors.

The ability to develop these enhancements is contingent upon continued funding of the Portal related expenses and staff support. To provide an ongoing source of funding, a fee will be necessary to support these expenditures. A fee study was conducted to identify the development and maintenance costs of the Portal. An annual fee of \$2,510 for each license holder will be required to achieve full cost recovery. A subsequent fee study after the first year of implementation is recommended to confirm the estimates used, remove the one-time Public Works Trust Fund loan, and, if necessary, include additional expenses in the calculation of the fee.

DISCUSSION

Council adopted an Ad Hoc Committee on Comprehensive Job Creation Plan report (C.F. No. 19-0078) recommendation to replace LABAVN with a Regional Portal and instructed that this Office conduct a fee study to obtain cost recovery, full or in part, for the replatforming, continuous development, and annual maintenance costs of the Portal.

1. Portal Expenses

In compliance with Proposition 26, this fee is based on actual and estimated costs needed by the City to maintain and develop the Portal. The costs provided below (Table 1) includes payment of a Public Works Trust Fund loan and the cost estimate during the first year of implementation. A re-evaluation of the fee by the CAO after one year of implementation is recommended because the fee includes a one-time loan from the Public Works Trust Fund used to partially fund the cost of the licenses in the interim period prior to full implementation. In addition, it is difficult to assess the extent in which the number of users may increase or decrease, or the number of entities outside of the City that will participate in the use of the Portal. These factors will impact the calculation of the fee.

Table 1: Estimated Portal Annual Cost					
1. Staff Expenses					
Dept.	Classification	Qty	W&C Salary	Related Costs*	Total
ITA	Program Analyst V (1431-5)	2	\$126,787	\$399,075	\$652,649
	Program Analyst III (1431-3)	1	86,181	135,632	221,813
CPO	Management Analyst (9184)	1	92,312	96,706	189,018
Subtotal - Staff Costs:			\$432,067	\$631,412	\$1,063,479
2. Contractual Expenses					
Annual Licenses (FY 2022)					\$714,000
Outreach and Marketing Budget					50,000
Subtotal – Contractual Expenses:					\$764,000
3. License (FY 2021 – Public Works Trust Fund Loan)					
Subtotal – Loan:					\$55,246
GRAND TOTAL:					\$1,882,725
* CAP 43 ITA – 157.38 percent and CPO (GSD Supply Management) – 104.76 percent					

The anticipated costs include both staff and contractual expenses. Staff funding includes three existing ITA programmer positions and one proposed Management Analyst (MA) position for the CPO. The ITA programmers are responsible for the continued maintenance and development of the Portal which includes supporting the City’s efforts to centralize and simplify the City’s procurement systems and processes. The CPO MA position is anticipated to coordinate requests by City departments for improvements to the Portal as well as conduct and augment outreach activities provided by the contractor. The CPO’s MA position is a new position. If approved, a resolution position authority will have to be authorized through a separate Council action in order to create the position. The annual license cost includes 750 licenses of which 600 licenses are reserved for use by City departments. An increase in the

total number of licenses requested in excess of 750 can reduce the calculated fee amount in a subsequent fee study. The estimated outreach and marketing budget are for contracted costs for conducting business outreach, training, and onboarding.

2. Fee Calculation

Although there is currently no cost to using LABAVN, the assessment of a fee is integral to providing the Portal with a dedicated source of funding to ensure continued development and maintaining the necessary staff support to keep the Portal responsive to the needs of its users.

Using the Portal’s estimated annual cost outlined in Table 1, a fee of \$2,510 is required for each license to achieve full cost recovery. Each license provides one unique log on. Each City department or entity depending on its size and procurement activity may require more than one license.

Table 2: Calculation of Estimated Fee	
Total Program Costs (refer to Table 1)	\$1,882,725
Licenses	750
Estimated Fee*	\$2,510
* Calculated as total program costs divided by number of licenses, with possible reduction of fee if the total number of licenses requested exceeds 750.	

A license is required for an entity to advertise or post opportunities on the Portal but is not required to view or bid on the opportunities. License holders will include City departments involved in the procurement process, other governmental agencies and private sector entities who are interested in participating in the Portal. It is unlikely that this method will achieve full cost recovery as many City departments are General-Funded and the cost of General-Funded licenses cannot be distributed to Special-Funded and private sector entities. In addition, it is also unlikely that a sufficient number of other governmental agencies and private sector entities will be able to join the Portal to generate any significant revenue within the current fiscal year.

In a report dated May 27, 2020 (C.F. 19-0078) from ITA, CPO, and the Bureau of Contract Administration, some private sector entities indicated a preference for the Portal to be integrated to their existing contracting systems. The cost of integrating the Portal to various systems is not included in the calculated fee, and will require additional ITA staff time to configure and integrate to the Portal. ITA will be responsible for requesting for reimbursement for these services based on actual staff costs incurred.

3. Additional Considerations

The following outlines additional considerations made in the development of the current recommended fee and additional costs and concerns that will have an impact on the fee and can be taken into consideration in the subsequent fee study.

- A. Alternative Cost Recovery Methods. Two other methodologies outlined below were considered prior to recommending the fee calculation discussed above. These methods were ultimately not recommended because the fee may create a barrier to participating in the City's procurement activities for certain businesses during the current economic crisis.
- The first method assesses just the users who are seeking to bid on opportunities posted on the Portal. In order to achieve full cost recovery each user would be assessed an annual fee of \$157. This fee is calculated by dividing the Platform's annual cost (Table 1) of \$1.88 million by the 12,000 anticipated subscribers. Although there are currently 75,000 unique email addresses registered in LABAVN, the estimated fee assumes a 12,000 user base which is the average number of active LABAVN users who bookmarked or downloaded opportunities during the past two fiscal years. The reduction in the estimated number of users assumes that companies may consolidate their log on or discontinue use of LABAVN upon the introduction of a fee. It should be noted that there is a potential for the total number of companies to also increase as a result of the increased number of opportunities that may become available when other governmental agencies and private companies start to use the Portal to advertise contracting opportunities. An increase in the actual number of users from the assumed 12,000 user base can decrease the calculated fee in a subsequent fee study.
 - The second method assesses a fee to both entities who post on the Portal and users who are seeking to bid on opportunities posted on the Portal. In order to achieve full cost recovery with this method, entities posting opportunities on the Portal would be assessed an annual fee of \$1,044 and businesses who access the system to download and bid for opportunities \$92. This fee allocates the cost of the annual licenses to just the entities who post on the Portal and the remaining expenses are distributed to both entities who post on the Portal and users who are seeking to bid on opportunities posted on the Portal.
- B. Fee Collection Infrastructure. The ITA and CPO have indicated not having the infrastructure or staff resources necessary to manually collect the annual fee for the Portal. The Office of Finance has similarly indicated that as a result of the Separation Incentive Program that they do not have sufficient staff to assist with fee collection and recommended the implementation of an electronic payment system. It is therefore recommended that ITA develop an electronic payment system into the Portal to allow for the automated collection of the annual fee, and along with the CPO develop the necessary policies to administer and collect this fee, prior to the rollout of the Regional Platform.
- C. Services Requiring Additional ITA Staff Support. ITA staff support included in the Portal expenses are for general maintenance and development that benefits all the users of the system. If a City Department requests for additional features or an organization requests for ITA to integrate their existing procurement system to the City's Portal, ITA will have to track and separately invoice for staff costs reimbursement.

4. Other Funding Sources

In the Ad Hoc Committee on Comprehensive Job Creation Plan adopted report (C.F. No. 19-0078), Council included instruction to explore specific funding sources for the Portal. The following provides a response to this instruction.

The Economic Workforce Development Department has indicated that there are no additional Special Funds including Coronavirus Relief Fund allocation that may be eligible to fund a portion of this Portal and related marketing and outreach activities.

No additional Federal or State COVID-19 emergency response source of funding has been identified as available for this purpose.

FISCAL IMPACT STATEMENT

Adoption of the report recommendation will have a potential negative impact on the General Fund. Although the calculation of the proposed fee includes all related staffing and expense costs for the Portal, it excludes the administrative cost of collecting the fees. In addition, full cost recovery may not be attained if the assumed number of Portal users is not met.

FINANCIAL POLICIES STATEMENT

The proposed fee recommended in this report is in compliance with the City's Financial Policies in that the proposed fee will charge the reasonable cost of providing the service inclusive of the direct and indirect operational cost of the Portal.

RHL:LC:05210095