

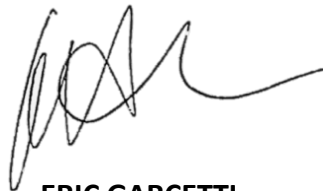
## TRANSMITTAL

To: **THE COUNCIL**

Date: **03/14/22**

From: **THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**

A handwritten signature in black ink, appearing to be "Eric Garcetti", written in a cursive style.

(Andre Herndon) for

**ERIC GARCETTI**  
**Mayor**

# City of Los Angeles

CALIFORNIA

CAROLYN M. HULL  
GENERAL MANAGER



ERIC GARCETTI  
MAYOR

## ECONOMIC AND WORKFORCE DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET  
LOS ANGELES, CA 90017

March 3, 2022

Council File:  
Council District: All  
Contact Person & Phone Number:  
Daisy Hernandez, (213) 744-9340  
Rosa Penaloza, (213) 744-7381

The Honorable Eric Garcetti  
Mayor, City of Los Angeles  
Room 303, City Hall

Attention: Heleen Ramirez, Legislative Coordinator

### **TRANSMITTAL: REQUEST FOR AUTHORITY TO IMPLEMENT THE LA OPTIMIZED PROGRAM AND RELEASE REQUEST FOR PROPOSALS AND TO SELECT A PROGRAM OPERATOR.**

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration.

### **SUMMARY**

The COVID-19 pandemic has devastated small businesses in the City resulting in a substantial economic decline, particularly in disadvantaged communities where technology gaps are more prevalent. In January 2021, the Mayor launched the LA Optimized Program to bridge the digital divide and help small businesses access assistance they need to adapt and compete in the digital marketplace as a result of the setbacks faced during the pandemic.

As part of the City's 2021-2022 budget, the Mayor and City Council approved \$2.5 million of the American Rescue Plan Act of 2021 (ARPA) backed by General Funds to help support LA Optimized. The program will be transitioned from the Mayor's Office to EWDD for management along with other the ARPA-funded business assistance programs already being implemented by the City through EWDD.

EWDD is requesting authorization to implement the LA Optimized Program and to release the LA Optimized Request for Proposals (RFP) to select a program operator. The selected LA Optimized operator will help local businesses fill the digital gap and

elevate businesses by providing technical and creative services to microenterprises and small businesses in the City, which can help these local businesses to potentially expand to other markets, compete with businesses beyond City boundaries, and grow their business exponentially.

EWDD has determined that LA Optimized will require a program operator, to be funded at \$2,000,000, which is the minimum amount required to provide the menu of technology services needed to effectively and efficiently assist businesses. The operator will serve businesses citywide and will be required to collaborate with the City's ten (10) BusinessSource Centers to leverage other wrap-around business services, as needed.

To ensure that the LA Optimized program and corresponding contract begin effective July 1, 2022, EWDD estimates that the RFP process will be completed by June 2022.

## RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that the City Council and Mayor:

1. AUTHORIZE EWDD to be the lead entity to implement the LA Optimized Program; and
2. AUTHORIZE the use of a total of \$2.5 million in ARPA-backed General Funds, appropriated for the LA Optimized Program in the approved 2021-2022 budget, as follows:

|                      |                  |
|----------------------|------------------|
| LA Optimized Program | 2,000,000        |
| Program Costs        | 500,000          |
| <b>Total:</b>        | <b>2,500,000</b> |

AUTHORIZE the Controller to:

- a. Transfer \$2,500,000 from the General Fund-Variety Programs Fund No. 551/22 to the American Rescue Plan Act (ARPA) Fund No. 64N/22 and appropriate as follows:

| Acct #        | Title                               | Amount           |
|---------------|-------------------------------------|------------------|
| 22V112        | City Attorney                       | 681              |
| 22V122        | Economic and Workforce Development  | 156,688          |
| 22V166        | Personnel                           | 3,189            |
| 22V299        | Reimbursement of General Fund Costs | 89,442           |
| 22V5AC        | LA Optimized Program                | 2,000,000        |
| 22V622        | Reserved for EWDD Oversight         | 250,000          |
| <b>Total:</b> |                                     | <b>2,500,000</b> |

- b. Increase appropriations within Fund No. 100/22 as follows:

| Acct # | Title | Amount |
|--------|-------|--------|
|--------|-------|--------|

|      |                           |                |
|------|---------------------------|----------------|
| 1010 | Salaries General          | 127,092        |
| 1070 | Salaries As-Needed        | 795            |
| 1090 | Overtime General          | 29             |
| 2120 | Printing and Binding      | 19             |
| 2130 | Travel                    | 39             |
| 3040 | Contractual Services      | 2,983          |
| 3310 | Transportation            | 3              |
| 6010 | Office and Administrative | 2,696          |
| 6020 | Operating Supplies        | 4              |
| 6030 | Leasing                   | 23,028         |
|      | <b>Total:</b>             | <b>156,688</b> |

c. Increase appropriations within the following Fund No. 100 accounts:

| <b>Acct #</b> | <b>Title</b>     | <b>Amount</b> |
|---------------|------------------|---------------|
| 100/12/001010 | Salaries General | 681           |
| 100/66/001010 | Salaries General | 3,189         |

3. Prepare and release a Request for Proposals (RFP) to select a LA Optimized Program Operator, subject to City Attorney review as to form and legality; to select an operator for the LA Optimized Program for a contract term of July 1, 2022, to June 30, 2023, with the option to renew for up to one (1) additional, twelve (12) month term.
4. AUTHORIZE the General Manager of EWDD to negotiate and execute a contract with the third-party service provider selected through the LA Optimized Operator RFP, for an amount up to \$2 million for the implementation of the LA Optimized Program, subject to the approval of the City Attorney as to form;
5. INSTRUCT EWDD to report on the LA Optimized Program status to Mayor and City Council every 180 days, or more often as needed; and
6. AUTHORIZE by Resolution the following position in the Economic and Workforce Development Department from July 1, 2022, through June 30, 2024, subject to position allocation by the Personnel Department and pay grade determination by the City Administrative Officer (CAO):

| <u>No.</u> | <u>Code</u> | <u>Class Title</u>  |
|------------|-------------|---------------------|
| 1          |             | Program Coordinator |

7. AUTHORIZE the General Manager, EWDD, or designee to prepare Controller instructions and/or make any technical adjustments needed and consistent with this action, subject to the approval of the CAO, and request the Controller to implement these instructions.

## **FISCAL IMPACT STATEMENT**

Recommendations in this report will not have a negative impact on the City General Fund, as the LA Optimized Program will be funded with American Rescue Plan Act backed funds included in the City's 2021-22 approved budget.

## **DISCUSSION**

In January 2021, the Mayor launched the LA Optimized Program to bridge the digital divide and revitalize the local economy by providing assistance to small business owners to optimize their digital presence with an emphasis on website optimization, social media analytics, and E-Commerce to grow revenues and remain competitive in the City.

The LA Optimized Program has been a critical resource for business owners in the fight to overcome digital divide for small businesses.

### **LA Optimized Program**

The LA Optimized Program provides various levels of assistance to eligible, for-profit microenterprises, small businesses, and nonprofit organizations operating in the City of Los Angeles, and aspiring entrepreneurs who reside in the City. The LA Optimized RFP will facilitate the selection of a program operator that will provide an array of technology and creative digital services to new and existing business owners through optimization of technology leading to stabilization and resiliency for a stronger local economy.

The LA Optimized system will provide services to up to 1,000 businesses within the City of Los Angeles that have been impacted by the COVID pandemic, targeting two business types:

- Microenterprises: Five or less employees, including the owner(s).
- Small Businesses: 6 to 500 employees with annual gross sales not exceeding \$7,500,000 as defined by the Small Business Administration.

The expected outcomes for these target populations are new businesses, business retention, and business expansions for the development of needed goods and services in underserved communities, as part of evidence-based intervention measures implemented by the City to promote a strong and equitable economic recovery in the City, particularly underserved communities.

### **The Need for Small Business to Adapt**

The COVID-19 pandemic has changed many of the ways small business owners interact with customers. A continuing decline in foot traffic to brick-and-mortar retail locations was long underway before the COVID-19 pandemic. Nonetheless, as long as

there was walk-in traffic, there was no need to have an online presence. However, the pandemic and quarantine orders, exposed the need for small businesses to consider innovative models and new approaches to selling goods to customers, particularly the need for having an online presence.

Retailers must supplement the in-store experience by leveraging digital tools such as virtual showrooms, new approaches to fulfilling customer needs, and technologies for customers to engage with their brand from the comfort of their home. In November 2021, the U.S. Department of Commerce released a report<sup>1</sup> that the pandemic helped increase e-commerce retail sales above \$210 billion in the second quarter of 2020, an increase of 31.8% from the previous quarter. For the third quarter of 2020, e-commerce retail sales increased by 36.7% from the third quarter of 2019, while total retail sales increased 7% in the same period. The assessment made by many experts and community leaders complement these findings:

- In a testimony provided by economist Rob Fairlie of the University of California at Santa Cruz on February 4, 2021 to the House Committee on Small Business, Fairlie recommended support for small businesses in building their online presences and helping prioritize local businesses in search results over online and big-box retailers.
- An article focused on helping businesses mitigate the impacts of COVID-19 published by Gartner reported that “by 2021, organizations with robust, scalable digital commerce will outperform non commerce organizations by 30 percentage points in sales growth by better using digital channels during the COVID-19 outbreak.”
- According to the LA Latino Chambers of Commerce, Latino small businesses such as bakeries, restaurants, and mercaditos have suffered disproportionately. Many Latino small business owners have yet to learn how to market and sell their goods on digital platforms, making it hard for them to pivot.

Many small businesses have not been able to keep up with E-commerce opportunities due to technology barriers. Mom and pop businesses, especially in underserved communities, have been disproportionately impacted by the digital divide.

### **LA Optimized RFP**

#### **Required Services:**

LA Optimized Operator will provide technical support to small businesses in the City, as described below and further depicted in Table 1:

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<sup>1</sup> [https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)

- Help businesses set up or optimize their **online business listings** and social media platforms according to their business operations, industry;
- Help businesses **create or optimize their website** - a max of 5 pages - to grow their e-commerce and/or customer engagement capabilities. By optimizing functionalities, businesses are better equipped to service their clientele online and able expand their capacity, potentially growing to service new markets;
- Provide an individualized **business assessment** that will consist of the following categories: digital marketing (website marketing, SEO/SEM, social media, email marketing, content marketing, and online business listings) and **e-commerce health analytics** (set up google analytics, google search console, and Facebook analytics tracker);
- With the assistance of partners such as Facebook/Instagram and Google, the program will **assist in development of marketing campaigns** to help small businesses reach their ideal customer base by generating leads, driving website traffic, and building brand awareness with online ads, email marketing, and SEO optimization. This includes assistance setting up the first set of ads to promote their business;
- Proposer will create **marketing and/or branding collateral** for small businesses (brand strategy, photography, graphic design, film, product design, packaging, etc);
- Proposer will partner with the City's ten BusinessSource Centers to further ensure businesses can continue to grow and succeed, **continuous business support**, including counselors will assess their financial and legal needs as well as help them address ongoing business and digital challenges. BusinessSource Centers will also **provide access to services and resources** provided by program partners.

Table 1- LA Optimize Services

| Service Delivery                 |   | Description  |
|----------------------------------|---|--|
| Business Listing Optimization    | Business listing creation/optimization                    | Google My Business, Facebook, Instagram, and Yelp:<br>Step 1 – Analytics of Business Listing Development or Optimization<br>Step 2 – Audit of social interface or create social media interface<br>Step 3 – Implementation or Optimization of Business Listings (Social Media Platforms) |
|                                  | Website Optimization                                      | Business with an existing website that requires enhanced design, layout, and additional tools.   |
| Website Creation OR Optimization | Website Creation  | Businesses without an existing website. Creation of at least 5 main pages and 5 subpages.  |
|                                  | Creative Assets   | Photography, videography, Branding Kit, Graphic Design Collateral, Social Media Filter   |
| E-COMMERCE                       | E-Commerce Structure Audit                                | Auditing of business digital presence (social media, listings, website, etc.) analytics, operational, and marketing assessment.  |
|                                  | Launch or Improve E-Commerce to increase sales or revenue | Professional Consultation of assessment and analytics<br>Step 1 – Analytics of Website and E-Commerce<br>Step 2 – Audit of sales and/or revenue<br>Step 3 – Implementation or Optimization of E-Commerce   |

## Contract Term:

Successful proposers will be funded for an initial 12-month period starting July 1, 2022 to June 30, 2023 with the option to renew for one (1) additional one-year period. The

purpose of the proposed two-year option is to allow for continuity of services under the program. However, before the annual renewal, EWDD will conduct an assessment to evaluate performance, compliance, changes in business and program needs, and other pertinent risks/value factors.

Renewal or extension of the contract term will be contingent upon the availability of funds, evaluation of the contractor's performance, and the contractor's continuing compliance with applicable federal, state, and local government laws and regulations.

#### Eligible Proposers:

Community-based organizations, nonprofit organizations, private for-profit organizations, institutions of higher education, chambers of commerce, or other business and labor organizations, with a minimum of two years (within the last five years) of experience in providing comparable services, will be eligible to apply. Eligibility criteria will be further defined in the RFP document.

#### Funding Level:

Funding is recommended, based on solicited services, in the amount of \$2,000,000 for one operator. The contract will be a 1 year contract with option to renew up to one (1) additional year. The initial contract will be \$1,000,000.

#### Proposed Service Areas:

LA Optimized is a citywide program for small businesses impacted by the COVID-19 pandemic. Proposer will work closely with the ten BusinessSource Centers with greater emphasis in the five service areas most in need 1) Southeast Los Angeles, 2) Watts, 3) East Los Angeles, 4) Pico Union/Westlake, and 5) South Los Angeles.

#### Accountability for Performance Outcomes:

The LA Optimized Program will be focused on accountability and transparency with monthly reports, semi-annual monitoring visits, and annual performance evaluations, based on a balanced scorecard approach that measures outputs and outcomes. All program activities from registration through exit will be electronically recorded in an automated database prescribed by the City. Timely and accurate reporting of all activities will be a priority. Currently, the City requires the use of the Salesforce system. However, this is subject to change.

#### Evaluation Criteria:

EWDD will select a team of proposal raters to review and score each complete and fully responsive proposal received by the RFP submission deadline. Proposals will be determined eligible for review and scoring based on the responsiveness and factuality or verifiability of the proposal documentation and information. A minimum score of 70 is required to be considered for funding. Proposals will be evaluated based on the following categories and may include consideration of any or all of the listed factors at the City's sole discretion.

- Demonstrated Ability - 30 points
- Program Design - 40 points



- Cost Reasonableness, Leveraged Resources and Financial Viability - 30 points

### **LA Optimized Staffing**

Charter Section 1022:

On February 23, 2022, EWDD requested a determination from the Personnel Department, based on the provisions of Charter Section 1022, that the City does not have sufficient staff to perform the required services sought under this RFP; the determination from the Personnel Department is pending.

EWDD Staff:

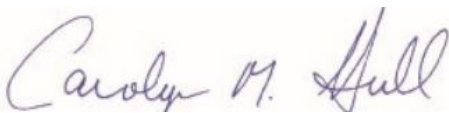
EWDD is not able to efficiently and effectively implement the LA Optimized Program at its current staffing levels. The considerable workload of current staff does not allow for activities under this new program to be absorbed by the existing team. Therefore, EWDD is requesting approval of one ARPA-funded, exempt Project Coordinator position, to carry out activities under LA Optimized, including the RFP process, contract execution and management, payment processing and program monitoring and evaluation.

It is anticipated that the Project Coordinator will spend approximately 100% of work hours carrying out LA Optimized activities; which is an ARPA funded program.

Total staffing costs for Fiscal Year 2022-2023 is \$250,000. A set aside of \$250,000 is also requested for staffing costs for the 2023-2024 Fiscal Year. Funding for the requested position would be part of the \$2.5 million of ARPA-backed funds in the City's 2021-2022 budget allocated for this program.

### **CONCLUSION**

EWDD is requesting authorization to have the ARPA funds transferred to the department to facilitate and implement the LA Optimized Program to provide small businesses owners with the resources needed to optimize and stabilize their business. Small businesses are the lifeblood of Los Angeles and the nation, and as such, need to be supported. The LA Optimized Program will fill an important need in providing technical assistance and support to the business community in our city.



CAROLYN M. HULL  
General Manager

CH:FJ:DH:JR: RP