

ECONOMIC DEVELOPMENT AND JOBS and INFORMATION TECHNOLOGY AND GENERAL SERVICES COMMITTEES REPORT relative to participation of local and minority-owned businesses in City contracting.

Recommendation for Council action, pursuant to Motion (Raman - Krekorian):

DIRECT the Chief Procurement Officer (CPO), with the assistance of the Chief Administrative Officer (CAO) and the Bureau of Contract Administration, as needed, to report back within 60 days on the following:

- a. A process for establishing Community Level Contracting as a City-wide procurement practice, including insights and recommendations on:
 - i. The goods, professional services, and construction activities that are most feasible for a transition to Community Level Contracting.
 - ii. The Departments, Divisions and other City entities that are best positioned to undertake a Community Level Contracting program.
 - iii. Practical goals for a City-wide Community Level Contracting program.
 - iv. Resource requirements and financial implications of a City-wide Community-Level Contracting program.
 - v. Mechanisms for tracking progress and setting departmental targets toward achieving the goals of a City-wide Community Level Contracting program.
 - vi. Possible roles and responsibilities of the proposed Office of Procurement (Council File No. 21-1080) in overseeing a City-wide Community Level Contracting program.
- b. A comprehensive review of all the mechanisms currently in place to monitor subcontracting activities among prime contractors—particularly to ensure their compliance with commitments to subcontract with small, local, minority and women-owned businesses and recommendations for strengthening the quality and effectiveness of these mechanisms.
- c. A comprehensive review of all the programs and initiatives aimed at boosting participation of small, local, women- and/or minority-owned businesses in City contracting through outreach and education, including an assessment of their efficacy and recommendations for strengthening these efforts and bolstering their impact.

Fiscal Impact Statement: Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: Yes

For:

Mid City West Neighborhood Council

Summary:

On March 8, 2022, the Economic Development and Jobs (EDJ) Committee considered a Motion (Raman – Krekorian) relative to the LA Optimized Program. According to the Motion, the City spends approximately \$4.5 billion annually on procurement of goods and services and construction. After staff salaries, procurement is the largest category of spending by the City and serves as a major economic driver for the region. However, small and local businesses, especially those owned by immigrants and racial and ethnic minorities, face many barriers in accessing contracting opportunities with the City of Los Angeles. The LA chapter of the Local Initiatives Support Corporation, a national non-profit organization supporting community development, reports that less than 20 percent of all City contracts from 2014 to 2016 were awarded to businesses based in Los Angeles, and that fewer than 10 percent of professional service contracts in 2015-16 went to small businesses owned by racial and ethnic minorities. These findings point to a major missed opportunity for the City to support local businesses and inclusive economic development.

To rectify this situation, the City of Los Angeles has enacted a number of measures to increase participation of local and minority-owned businesses in contracting. The Local Business Preference Program (Ordinance No. 187121) confers preference in the bidding process to local small businesses and to larger businesses that propose to subcontract with a local small business. A 2022 ballot measure will offer Angelenos the opportunity to restrict the definition of local to businesses based in the City of Los Angeles, in order to keep business and tax revenue within the City (Council File No. 21-0760). These measures are important steps toward increasing the local economic impact of the City's purchasing.

However, there are still unrealized opportunities to enhance access to the City's procurement system among small businesses. A strategy that has proven successful in cities around the country, including in Los Angeles, involves "right-sizing" contracts, i.e., making contracts with the City smaller in scale and scope so that small businesses can bid as prime contractors. In Los Angeles, this approach has been effectively implemented by the Board of Public Works, through the Community Level Contracting program.

In May 2021, Commissioners on the Board of Public Works voted to officially establish Community Level Contracting across all the bureaus it oversees after a successful pilot with the Bureau of Engineering. Through this program, the bureaus under the Board of Public Works are unbundling some large contracts into work packages of \$100,000 or less to provide small businesses an opportunity to do business directly with the City. Yet Community Level Contracting could be even more impactful if implemented across all departments within the City of Los Angeles. Other strategies may also prove effective in

increasing small business participation in City contracting, such as stronger monitoring of subcontracting and improved outreach and education to potential small business contractors. During the bidding process, prime contractors can receive preference if they commit to subcontracting with a local small business.

While some limited oversight of subcontracting does exist, the Los Angeles Municipal Code was amended in 2016, for example, to legally require franchises providing solid waste services to report subcontracting activities to the Bureau of Sanitation (Council File No. 16-1235), the City as a whole has few mechanisms for monitoring whether subcontracting agreements with local small businesses are honored in the execution of contracts. Additionally, some City entities, such as the Economic and Workforce Development Department (EWDD), the Bureau of Contract Administration (BCA), and the Chief Procurement Officer (CPO), run programs to educate small businesses on potential contracting opportunities with the City. A more comprehensive system for monitoring subcontracting compliance and conducting outreach and education with potential small business contractors could aid the goal of enhancing inclusion of local, small, women- and minority-owned businesses in City purchasing.

After consideration and having provided an opportunity for public comment, the Committee moved to recommend approval of the Motion. Subsequently, on May 4, 2022, the Information Technology and General Services Committee also considered this Motion and after consideration and having provided an opportunity for public comment, moved to concur with the EDJ Committee. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

Economic Development and Jobs Committee



COUNCILMEMBER	VOTE
PRICE:	YES
KREKORIAN:	YES
BLUMENFIELD:	YES
RAMAN:	YES
HARRIS-DAWSON:	YES

Information Technology and General Services Committee

COUNCILMEMBER

RAMAN:

KREKORIAN:

PRICE:

VOTE

YES

YES

ABSENT

ARL

5/4/22

-NOT OFFICIAL UNTIL COUNCIL ACTS-