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By: Report from the CAO

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 27, 2011

CAO File No. 0220-01024-2724

Council File No. 10-1901

Council District: All

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer *RLH  
BN*

Reference: Community Development Department Transmittal dated August 10, 2011; Referred to the Housing, Community and Economic Development Committee on September 8, 2011; Additional information received through September 26, 2011.

Subject: **APPROVAL OF 2011-12 PROGRAM OPERATORS FOR THE LOS ANGELES BUSINESSOURCE CENTER SYSTEM**

### SUMMARY

In a transmittal from the Community Development Department (CDD) dated August 10, 2011 (CDD Transmittal), CDD requests approval of the results of a Request for Proposals (RFP) issued in April 2011 for the Los Angeles BusinessSource Center System (LABSCS). The CDD requests authority to negotiate and execute contracts with five service providers to operate six business centers throughout the City, with one provider operating two of the centers. The proposed total contract amount is \$1.5 million (\$250,000 per contract for each center). The funding source is Community Development Block Grant (CDBG) funds approved within the 37<sup>th</sup> Program Year (2011-12) Consolidated Plan (Consolidated Plan) (C.F. 10-2440). The Commission on Community and Family Services (CCFS) approved the selected contractors at its meetings held in July and August 2011.

We recommend approval for CDD to execute six contracts with an initial contract term of six months effective October 1, 2011 through March 31, 2012, with the option to renew for two additional one-year terms and one additional six-month term for each contract (a total of three years), subject to the approval of the City Attorney as to form and legality, available funding and compliance with City contracting requirements and grant regulations. The recommended initial contract term of six months will provide services through the end of the 2011-12 Program Year (March 31, 2012) utilizing the current approved CDBG funding. The total term of three years is in compliance with the Los Angeles Administrative Code (LAAC) Section 10.5(a).

Of the \$1.5 million, \$939,141 is available from the LABSCS line item in the Consolidated Plan. The remaining \$560,859 is allocated currently to two other line items (CDD Section 108 debt service [\$392,740] and Initiating Change in Our Neighborhoods Community Development Corporation [ICON] - Business Outreach Program [\$168,119]). The CDD states that the funding for these two items is no longer needed and requests reprogramming for the LABSCS contracts. It is a policy decision of the Council and Mayor whether to reprogram CDBG funds pursuant to the CDBG Expenditure Policy (Expenditure Policy) (C.F. 10-2440, Attachment K). Details on the Expenditure Policy are provided in the Background section of this report. We have also provided options for Council and Mayor consideration regarding the available funding for the contracts in the Background and Recommendations sections of this report.

In March 2011, the Council and Mayor authorized CDD to release a RFP for LABSCS and report back with recommendations for the selected contractors (C.F. 10-1091). The LABSCS replaces the former Los Angeles Business Assistance Program (LABAP) which provided services to small businesses. The LABSCS will continue to provide technical assistance, support and growth resources to local businesses and low and moderate-income individuals seeking business start-up opportunities through a Citywide delivery system.

The former LABAP contracts were awarded on a three-year cycle with additional extension of time and funding approved by Council and Mayor, if required. The last contract authority from a 2007 RFP expired on March 31, 2010. Contracts were extended through September 30, 2011 in previous actions (C.F. 10-0531 and 10-2440) to allow additional time for development of an RFP that would establish a new three-year funding cycle and the new LABSCS. Funding for six months for seven current contractors at \$109,319 per contract is provided in a separate line item with the Consolidated Plan.

A recommendation in the CDD Transmittal requested a total contract term up to four and one-half years. This recommendation is modified (up to three years) to comply with LAAC, Section 10.5(a) which limits the authority of any department to enter into contracts "...for a period longer than three (3) years, unless such contract shall have been first approved by the Council." The CDD and the City Attorney will negotiate and execute the LABSCS contracts after Council and Mayor approval of the results of the RFP. The CDD may submit copies of the contracting documents to Council and Mayor at a future date for approval, for a contract term that is greater than three years. As an alternative, CDD may wait to request additional time extensions at the completion of three years through a separate transmittal or as part of a future Consolidated Plan.

A summary of the new LABSCS, the RFP selection, the contractor selection process, the proposed services and the evaluation process is provided in the Background Section of this report.

## **Background**

### Los Angeles BusinessSource Center System Programs

The new LABSCS is comprised of programs and services provided through CDD and proposed contractors that address the needs of small businesses in the City. The CDD has established six newly branded business centers located within the City that will be operated by the proposed contractors in partnership with CDD. The CDD states that the goal of the LABSCS RFP is to expand the type of services that are available to small businesses within the City through a cost-efficient and effective program model. The contractors will provide a range of services including business education courses, other business-related training, business counseling, case management and financial assistance. The contractors will also maintain contact with organizations that can assist clients with the resources required to start and/or operate a successful business. The new LABSCS will improve the coordination between the business centers and CDD's WorkSource Centers (WSC) through contractual agreements between the proposed contractors and the WSCs. In addition, the LABSCS will include a monitoring and evaluation component. The CDD will conduct quarterly site visits and evaluate each contractor in the areas of contract compliance, service level performance and performance outcomes based on a balanced scorecard.

The LABSCS will offer services throughout the City with emphasis on six target areas including portions of State Enterprise Zones and the Federal Empowerment Zone. The target areas are as follows: Central West Los Angeles; East Los Angeles; Harbor Gateway/San Pedro/Wilmington; North San Fernando Valley; South Los Angeles; and, South San Fernando Valley.

The LABSCS will assist Pre-start ups, Start-ups and Operating Businesses. The targeted outcomes for the Pre-Start-ups, include formulation of a business plan, establishment of a business and implementation of other requirements associated with the business (such as, obtaining a business license or permit). The targeted outcomes for the Start-ups and Operating Businesses include increased sales and revenues, improved business stability, profitability and job creation or job retention.

The performance goals for the first six months of LABSCS are as follows:

- Enroll 400 entrepreneurs;
- Assist 375 micro enterprises;
- Assist 30 emerging small businesses; and,
- Create 250 new jobs.

The LABSCS will target several growth sectors including the following:

- Biotechnology, Green Sector and Clean Technology;
- Construction;
- Entertainment;
- Healthcare;
- Hospitality and Tourism;
- International Trade and Logistics; and,
- Professional and Business Services.

## **Review and Selection of Program Operators**

### Contractor Selection Process

The CDD released the LABSCS RFP on April 8, 2011. The RFP was posted on CDD's internet website and published in the Los Angeles Daily Journal. The CDD conducted a Proposer's Conference on April 26, 2011. The CDD also provided technical assistance by email. All questions and responses from the Proposer's conference and other technical assistance were posted on the CDD website. The RFP solicited proposals from qualified organizations with a minimum of two years experience in providing training and technical assistance to businesses and that can operate business centers in the targeted areas. The RFP included details on the requirements for eligible proposers, the scope of work, available funding, the appeals process and the City's contracting requirements.

A total of 16 proposals were received: 14 proposals from 11 bidders by the RFP submission deadline of May 20, 2011, 5 p.m. Pacific Daylight Time and two proposals after the submission deadline. The late proposals were not reviewed, as stated in the RFP. The CDD conducted a first level review of the 14 on-time proposals and determined that they met the minimum eligibility requirements. The 14 proposals were reviewed and evaluated by five teams consisting of two or three experts from private and public institutions. The proposals were evaluated based on the following criteria: (1) Demonstrated ability – 20 points; (2) Program Design and Approach – 55 points; and (3) Fiscal Operations – 25 points for a total of 100 points. Each proposal was required to meet a minimum of 70 points. Final scores were determined through the consensus of the members of each team. Twelve of the fourteen proposals received scores between 72 and 100 points.

The CDD recommends funding for the six proposals that achieved the highest scores as follows: Pacific Asian Consortium Employment (two contracts), Managed Career Solutions, Inc., ICON, Vermont Slauson Economic Development Corporation and Valley Economic Development Center, Inc.

### Appeals Process

Proposers were notified of the RFP results and the appeals process on July 19, 2011. On July 25, 2011, CDD met with six proposers who requested to review their scores and hear the raters' comments. Formal appeals were received from Barrio Planners, Inc. (BPI), FAME Assistance Corporation (FAME) and Century Business and Development Corporation (CBDC) by the deadline of July 26, 2011. The Appeals Board (Board), comprised of three members of CCFS, considered the appeals on July 28, 2011. The appeals process resulted in a revision of the score for FAME from 91 to 93. The Board denied the BPI appeal. The CBDC did not attend the hearing.

A second hearing was held on August 15, 2011 to consider the revised scores for FAME. At this hearing, the Board denied the FAME appeal. The appeals process did not result in any changes to the Department's funding recommendations. A list of the final rankings for all the proposals and the selected contractors is provided in an attachment to this report.

### **Community Development Block Grant Expenditure Policy**

Section C, No. Seven of the Expenditure Policy requires, in part, that "*City Departments and agencies should refrain from spending or programming CDBG savings. All savings identified will be appropriated during reprogramming or as directed by Council and Mayor.*"

Discussions with CDD indicate that the Section 108 debt service funding that is proposed for reprogramming (\$392,740) is not required due to larger than expected repayment amounts from several borrowers. The ICON funding amount that is proposed for reprogramming (\$168,119) is not required because ICON is one of the selected service providers for the LABSCS.

In light of possible future reductions to CDBG funds available to the City, our intent is to provide the Council and Mayor with sufficient information as to the fiscal implications of reprogramming additional funds for the proposed contracts. It should be noted that CDD and City Departments are in the process of reviewing potential projects for the upcoming 38<sup>th</sup> Program Year Consolidated Plan. The reprogramming of approximately \$560,000 at this time will reduce the amount available for Council and Mayor priorities in the Year 38<sup>th</sup> Program Year.

### **Council Policy**

It is a policy decision of the Council and Mayor whether to reprogram \$560,859 from the Section 108 debt service and the ICON line items to fully fund the six contracts in this report. The total amount requested by CDD for these six contracts is \$1.5 million including the reprogrammed funds and an individual contract amount of \$250,000 for six months.

The 2011-12 Consolidated Plan approved \$939,141 for LABSCS based on reductions in the Consolidated Plan entitlement amount and the City's priorities. The amount of \$168,119 is a portion of the \$336,238 that was approved for ICON for services to small businesses. As such, a total amount of \$1,107,260 is currently approved but unexpended for small business services. The Council and Mayor may choose to approve funding for these contracts at the total amount of \$1,107,260 with the individual contract amounts at \$184,544 for six months. Should the Council and Mayor choose to fund the contracts at the \$1,107,260 amount instead of \$1.5 million level, CDD should be authorized to negotiate and execute contracts at amounts below the \$250,000 level. We have provided options for the Council and Mayor to fund the contracts at \$250,000 per contract or at approximately \$184,543 per contract in the Recommendations Section of this report.

The recommendations in this report comply with the City Financial Policies in that federal grant funding is available for the proposed contracts. Continuation of LABSCS is subject to the availability of future grant funds or Council and Mayor actions. Additional information on the former LABAP and the new LABSCS program components is provided in CDD Transmittals dated November 23, 2010 and August 10, 2011 which are available on the City's internet website at [www.cityclerk.lacity.org](http://www.cityclerk.lacity.org), Council File Management System (C.F. 11-1901).

## RECOMMENDATIONS

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

1. Approve the results of the 2011-12 Los Angeles BusinessSource Center System (LABSCS) Request for Proposals (RFP) issued in April 2011 to implement the LABSCS on a Citywide basis and specifically five program operators in six target areas within the City:

<u>Proposed Contractor</u>	<u>Target Service Area</u>
Pacific Asian Consortium in Employment (PACE)	Central West Los Angeles
PACE	East Los Angeles
Managed Career Solutions, Inc.	Harbor Gateway/San Pedro/Wilmington
Initiating Change in Our Neighborhoods Community Development Corporation (ICON)	North San Fernando Valley
Vermont Slauson Economic Development Corporation	South Los Angeles;
Valley Economic Development Center, Inc.	South San Fernando Valley

It is a Policy decision to approve \$250,000 in funding for each contract for a total amount of \$1.5 million from 37<sup>th</sup> Program Year Consolidated Plan (Consolidated Plan), Community Development Block Grant (CDBG) funds (C.F. 10-2440). We have provided the following two options (Recommendation Nos. Two and Three) for Council and Mayor consideration:

2. Should the Council and Mayor determine that the six contracts should be funded at a total amount of \$1.5 million with \$250,000 allocated for each contract and that the Section 108 Debt Service and ICON line items in the Consolidated Plan should be reprogrammed, 2a through 2e below should be approved:

- a) Approve the following program operators and allocations for the 2011-12 LABSCS:

<u>Proposed Contractor</u>	<u>Target Service Area</u>	<u>Proposed Funding Amount</u>
Pacific Asian Consortium in Employment	Central West Los Angeles	\$ 250,000
Pacific Asian Consortium in Employment	East Los Angeles	250,000
Managed Career Solutions, Inc.	Harbor Gateway/San Pedro/Wilmington	250,000
Initiating Change in Our Neighborhoods Community Development Corporation	North San Fernando Valley	250,000
Vermont Slauson Economic Development Corporation	South Los Angeles;	250,000
Valley Economic Development Center, Inc.	South San Fernando Valley	250,000
	<b>Total</b>	<b>\$1,500,000</b>



- b) Authorize the General Manager, Community Development Department (CDD), or designee, to negotiate and execute agreements with the program operators for service areas as listed in Recommendation No. 2a, that are substantially in conformance with the scope of services of the RFP, for an initial term of six months, effective October 1, 2011 through March 31, 2012, with an option to extend for two additional one-year terms and one additional six-month period for a total of three years, subject to review by the City Attorney as to form and legality, compliance with City contracting requirements and federal grant guidelines and contingent on available funding and contractor performance;
- c) Reprogram a total amount of \$560,859 in CDBG funds in the Consolidated Plan to fund the 2011-12 LABSCS contracts in this report.
- d) Authorize the Controller to establish a new account and transfer appropriations within the Community Development Trust Fund (Fund No. 424) as follows:

	<b>Account</b>	<b>Title</b>	<b>Amount</b>
From:	22H241	CDD Section 108	\$392,740
	22H244	ICON	168,119
		<b>Sub Total</b>	<b>\$560,859</b>
To:	22H622	LA BusinessSource-Reprogramming	560,859

- e) Authorize the Controller to expend funds in and amount not to exceed \$1,500,000 within Fund 424 as follows:

<b>Account</b>	<b>Title</b>	<b>Amount</b>
22H622	LA BusinessSource-Reprogramming	\$560,859
22H243	LA BusinessSource	939,141
	<b>Total</b>	<b>\$1,500,000</b>

3. Should the Council and Mayor determine the contracts should be approved at the funding level of \$1,170,000 for LABSCS to include the currently approved amount of \$939,141 and reprogram \$168,119 from the ICON line item, 3a through 3e below should be approved:

- a) Approve a total amount of \$1,107,260 for five program operators and six contracts for the 2011-12 LABSCS at an individual contract amount of approximately \$184,543;

<b>Proposed Contractor</b>	<b>Target Service Area</b>	<b>Proposed Funding Amount</b>
Pacific Asian Consortium in Employment (PACE)	Central West Los Angeles	\$184,544
PACE	East Los Angeles	184,543
Managed Career Solutions, Inc.	Harbor Gateway/San Pedro/Wilmington	184,544
Initiating Change in Our Neighborhoods Community Development Corporation	North San Fernando Valley	184,543
Vermont Slauson Economic Development Corporation	South Los Angeles;	184,543
Valley Economic Development Center, Inc.	South San Fernando Valley	184,543
	<b>Total</b>	<b>\$1,107,260</b>

- b) Authorize the General Manager, CDD, or designee, to negotiate and execute agreements with the program operators for service areas as listed in Recommendation No. 3a, that are substantially in conformance with the scope of services of the RFP, for an initial term of six months, effective October 1, 2011 through March 31, 2012, with an option to extend for two additional one-year terms and one additional six-month period for a total of three years, subject to review by the City Attorney as to form and legality, compliance with City contracting requirements and federal grant guidelines and contingent on available funding and contractor performance;
- c) Reprogram \$168,119 from the ICON Line item 53 to fund the 2011-12 LABSCS contracts in this report.
- d) Authorize the Controller to establish a new account and transfer appropriations within the Community Development Trust Fund (Fund No. 424) as follows:

	<b>Account</b>	<b>Title</b>	<b>Amount</b>
From:	22H244	ICON	\$168,119
To:	22H622	LA BusinessSource-Reprogramming	\$168,119

- e) Authorize the Controller to expend funds in an amount not to exceed \$1,107,260 within Fund 424 as follows:

<b>Account</b>	<b>Title</b>	<b>Amount</b>
22H622	LA BusinessSource-Reprogramming	\$168,119
22H243	LA BusinessSource	939,141
	<b>Total</b>	<b>\$1,107,260</b>

- 4. Prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

## FISCAL IMPACT STATEMENT

There is no impact on the General Fund. The amount of \$939,141 is provided from a Community Development Block Grant (CDBG) allocation to the Los Angeles BusinessSource Center System (LABSCS) in the 37<sup>th</sup> Year (2011-12) Consolidated Plan (Consolidated Plan). An additional \$560,859 is available from the Section 108 debt service and Initiating Change in Our Neighborhoods Community Development Corporation line items from CDBG funds in the Consolidated Plan, should the Council and Mayor determine that this amount can be reprogrammed for LABSCS contracts. The recommendations of this report are in compliance with City Financial Policies in that federal grant funds are available for the contracts.

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Attachment

Community Development Department  
2011-12 Los Angeles BusinessSource Center System  
Recommended Program Operators and Final Proposal Scores

Attachment  
C.F. 10-1091

CONTRACTORS	Geographic Area	Proposal Score (Out of 100 points)	CDD Funding Recommendation Up To
Pacific Asian Consortium in Employment	Central West	98.00	\$ 250,000
Little Tokyo Service Center Community Development Corp.	Central West	92.00	\$ -
Century Business & Development Ctr.	Central West	50.00	\$ -
Managed Career Solutions, Inc.	Central West	Disqualified*	\$ -
Los Angeles City College	Central West	Disqualified*	\$ -
Pacific Asian Consortium in Employment	East	100.00	\$ 250,000
Barrio Planners, Inc.	East	96.00	
Vermont Slauson Local Development Corporation	South	94.00	\$ 250,000
FAME Assistance Corp.	South	93.00	\$ -
Los Angeles Southwest College	South	76.00	\$ -
Managed Career Solutions, Inc.	Harbor	93.00	\$ 250,000
Pacific Asian Consortium in Employment	Harbor	89.00	\$ -
Los Angeles Harbor College	Harbor	67.00	\$ -
Initiating Change in Our Neighborhoods Community Development Corporation, Inc.	North Valley	87.00	\$ 250,000
Valley Economic Development Center	South Valley	87.00	\$ 250,000
Build Rehabilitation Industries	Valley	72.00	\$ -
<b>Total</b>			<b>\$ 1,500,000</b>

\*Proposal received after deadline.