TRANSMITTAL

To: **THE COUNCIL**

Date: 02/25/2016

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

(Ana Guerrero)

ERIC GARCETTI
Mayor

JAN PERRY
GENERAL MANAGER

CITY OF LOS ANGELES
CALIFORNIA

ERIC GARCETTI
MAYOR

ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

1200 W. 7TH STREET
LOS ANGELES, CA 90017

February 24, 2016

Council File: 10-1901
Council District Nos.: All
Contact and Phone Numbers:
Samuel Hughes: 213-744-9723
Meg Barclay: 213-744-9340

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall

Attention: Mandy Morales, Legislative Coordinator

COMMITTEE TRANSMITTAL: THE LOS ANGELES BUSINESSSOURCE CENTERS (LABSC) SYSTEM OPERATOR REQUEST FOR PROPOSALS (RFP) FINAL RECOMMENDATIONS

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

RECOMMENDATIONS

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

1. APPROVE the final results of the Los Angeles Business Source Center (LABSC) System Request for Proposals (RFP) process as indicated in Attachment 1;
2. AUTHORIZE the General Manager, EWDD, or designee, to negotiate and execute agreements with the nine agencies selected to become LABSC operators, with funding not to exceed $500,000 per LABSC, subject to funding availability, for the period of twelve months effective April 1, 2016 through March 31, 2017, with up to four optional one-year renewal periods, subject to the review and approval of the City Attorney as to form;
3. AUTHORIZE the Controller, subject to approved funding, to expend funds within the Community Development Trust Fund 424 Account 22N586, LA's BusinessSource, in an amount not to exceed $4,500,000; and
4. 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

There is no General Fund impact. The Los Angeles BusinessSource Center System will be funded entirely through the City's Community Development Block Grant Program with funds allocated on an annual basis through the Consolidated Plan process. New contracts with applicants determined to be the most qualified respondents to the LABSC RFP will be for twelve (12) months for Program Year 2016-17, with the option of four additional one-year renewal periods, subject to available funding and provider performance.

SUMMARY

On September 16, 2015, the City Council authorized EWDD to release an RFP to identify contractors to continue the operation of nine City of Los Angeles BusinessSource Centers and instructed EWDD to report to Council with the results of the RFP. Pursuant to the RFP evaluation process, five service who providers received the highest score for each of the nine service areas are being recommended for funding to operate nine BusinessSource Centers.

The nine BusinessSource Center service areas are listed in the table below with the Council Districts served by the LABSC in each service area. Attachment 2 provides a map of the BusinessSource Center service areas. The service areas were revised as part of this RFP process to more equally divide the City by need and geographic scope.

BusinessSource Center Service Area	Council Districts Served
Central/West & Downtown	1, 4, 5, 13, 14
East Los Angeles	1, 13, 14
South Los Angeles	8, 9, 10, 11
North San Fernando Valley	2, 6, 7
South San Fernando Valley	2, 6, 7
West San Fernando Valley	3, 5, 6, 12
Harbor/Watts	8, 15
Hollywood	3, 4, 5, 11, 13
Mid-City & West Los Angeles	1, 4, 5, 10, 11

The 2105 LABSC RFP included several system changes designed to ensure uniformity in the quality and type of services offered at each LABSC, and delineate the services between microenterprise or startup incubation and more established small businesses. The changes include:

- Added five bonus points for a commitment to provide services at an alternate location (without adding to required hours of operation) in order to incentivize a broader geographic range of services across LABSC service areas;
- A new requirement that proposers be certified as a Community Development Financial Institution (CDFI), be in the process of becoming certified as a CDFI or

provide evidence of a formal relationship with a CDFI, in order to ensure greater access to capital for LABSC clients; and

- Provide up to five bonus points for cash leverage; one bonus point for every $100,000 in cash leverage identified in the proposer's leverage narrative, in order to ensure maximum leverage of public funds allocated to the LABSC.

Attachment 1 provides a summary of the LABSC RFP proposer's final scores and recommended LA BusinessSource Center providers resulting from the RFP Process.

The existing contracts for the City's BusinessSource Center System expire on March 31, 2016, and EWDD does not have authority to renew. Approval of the recommendations in this report will enable the LA BusinessSource Center System to continue to meet the needs of the City's business community.

BACKGROUND

The City of Los Angeles Economic and Workforce Development Department has operated the Los Angeles BusinessSource Center System for the last four years, providing small businesses with the services and resources necessary to help them grow and remain competitive within the City of Los Angeles. The System also supports startup ventures to launch viable businesses.

THE LOS ANGELES BUSINESSSOURCE CENTERS (LABSC) MODEL

The goal of the Economic and Workforce Development Department's LABSC RFP is to continue to increase the availability and array of business services in Los Angeles using a cost-efficient and effective system model. This model focuses on the following business target populations: Microenterprise Prestartups (entrepreneurs), Microenterprise Startups (new owners), and Operating Small Businesses (existing owners).

- The Microenterprise Prestartups are prospective new business owners, especially low and moderate-income City residents.

- The Microenterprise Startups are owners of businesses with five (5) or fewer employees, one of whom owns the enterprise, that have a net operating income of less than Two Hundred Thousand Dollars ($200,000). The focus on this group is particularly important as the majority of these businesses within the City may be categorized as having difficulty surviving challenging economic conditions.

- The Operating Businesses component of the LA BusinessSource Center model provides business assistance and training to growing or established companies to give them the highest opportunities for success and expansion.

The expected outcomes for these target populations are business expansion, development of needed goods and services in underserved communities, and job creation/retention.

PROGRAM MANAGEMENT AND EVALUATION

The Economic and Workforce Development Department oversees the Los Angeles BusinessSource Center System administration and management. EWDD obtains strong results through this program by setting clear performance outcomes tied to specific metrics for each LABSC. A Scorecard for each LABSC is issued quarterly to the Council, the Mayor, the BusinessSource Center contractors and the public. Attachment 3 provides the LABSC 2014-2015 System-wide Scorecard, as well as Scorecard data by LABSC Provider. The Scorecard allows program monitors to address issues early and work with the LABSC's on methods to increase productivity and correct any reported deficiencies. EWDD ensures that BusinessSource Centers meet or exceed City standards through quarterly on-site monitoring, bi-monthly meetings of LABSC Directors, review of training curriculums and skill updates for LABSC staff, clear directives and uniform procedures.

2015 LA BUSINESSSOURCE CENTER REQUEST FOR PROPOSAL PROCESS

Following authorization granted by the Mayor and City Council, EWDD released the LABSC RFP on September 21, 2015. The table below lists the LABSC procurement process timeline of the key milestones in the RFP process. The original due date for proposals was November 2, 2015, however the deadline was extended to November 9, 2015 to ensure bidders had sufficient time to meet City Business Inclusion Program outreach requirements.

Milestone	Date
LABSC RFP Released	**September 21, 2015**
Bidders Meeting	October 6, 2015
RFP Responses Due	**November 9, 2015**
EWDD notified proposers of scores. Appeals period opened	December 4, 2015
Appeals Period Closed	December 11, 2015
Appeals Process Completed	February 8, 2016

The RFP's three narrative components and their respective point values are described below:

Narrative	Points
Demonstrated Ability • History of Demonstrated Effectiveness • Proposer's Operational Experience, Past Outcomes and Customer Satisfaction	35
Program Design and Approach • Staffing, Program Administration and Center Operations • **Bonus Points: awarded for alternate location with need based justification for BusinessSource Services in the area selected** • Proposer's Administrative Capabilities • Service Delivery Plan and Goals • Business Services currently available in the targeted community and how program will supplement these services • Criteria used to evaluate project's effectiveness • Outcomes proposed for Microenterprise and Operating Businesses	45 **(0 or 5 bonus points awarded)**
Fiscal Operations • Fiscal Operations Narrative • Resource Development • Budget • **Bonus Points: awarded for each $100,000 cash match** • Fiscal Management • Fiscal Requirements	20 **(1-5 bonus points awarded)**

EWDD recruited teams of third-party volunteer evaluators with expertise in business assistance and finance. Prior to rating proposals, evaluators were briefed on the LABSC RFP process and trained to use a scoring tool developed by EWDD (based on the narrative criteria outlined in the RFP). Evaluators rated all eligible proposals' narrative responses, except the Fiscal Management and Fiscal Requirements portions of the Fiscal Operations narrative, which were rated by EWDD Financial Management Division staff. Attachment 1 provides the final scores for all eligible proposals and contractor recommendations for each of the nine service areas.

RESULTS OF THE LABSC RFP APPEALS

As presented in the table above, all eligible proposers were notified of their scores in writing on December 4, 2015. The notification included a description of proposer's appeals rights as well as instructions for submitting an appeal. All proposers were provided with an opportunity to view scores and rater comments prior to the December 11, 2015 appeal deadline.

Three proposers, Valley Economic Development Center (VEDC), Vermont Slauson Economic Development Center (VSEDC), and Barrio Planners, Incorporated (BPI)

submitted appeals by the submission deadline of December 11, 2015. The Department conducted three appeal hearings on Tuesday, December 22, 2015. The Appeals Board was comprised of the General Manager, EWDD, the General Manager, Housing and Community Investment Department of Los Angeles, and one representative from the Workforce Development Board. The Appeals Board upheld EWDD staff recommendations for two of the appeals - VEDC and VSEDC. The Appeals Board voted to remand three of BPI's appeal items to EWDD staff for re-evaluation. EWDD staff reconvened the original Review Team on January 11, 2016 to re-review three portions of BPI's proposal. The Review Team completed its re-evaluation and the scores did not change. On January 15, 2015, EWDD notified Barrio Planners, Inc. of these results. On January 20, 2016, Barrio Planners, Inc. was granted access to review the Review Team's re-evaluation comments. Subsequently, on January 22, 2016, Barrio Planners, Inc. submitted a second appeal within the submission deadline of January 22, 2016.

The Appeals Board heard BPI's second appeal on Friday, January 29, 2016. After a 10-day recess, the Appeals Board reconvened on Monday February 8, 2016 and voted to deny BPI's appeal and uphold the outcome of the re-review.

LABSC RFP RECOMMENDATIONS FOR CONTRACT AWARD

Having concluded the LABSC Request for Proposals evaluation and appeals process, EWDD respectfully requests that the Mayor and the City Council approve the final results as recommended in Attachment 1 of this report.

If these results are approved, EWDD will enter into agreements with these agencies for the twelve (12) month period from April 1, 2016 to March 31, 2017, with up to four optional one-year renewal periods, subject available funds and provider performance. Assuming continued level funding in the 42nd Program Year Consolidated Plan, each center will receive an equal allocation of up to $500,000, for a total of up to $4,500,000 system-wide for each year authorized by this RFP.

Pursuant to Section I.C of the LABSC RFP, any additional funds allocated beyond the base level of funding will be allocated between BusinessSource Centers according to demand for services. EWDD will request the assistance of the Office of Finance to identify data describing the characteristics and distribution of new businesses in the City and use this data, coupled with performance data reported by the LA BusinessSource Centers regarding the needs of businesses served, to recommend distribution for any additional funds allocated over the current funding level to Council and the Mayor.

Small businesses are the backbone of the City's economy, and over the last four years the LA BusinessSource Center System has proven itself to be a successful contributor to economic growth and job creation in the City. Approving the results of this Request for Proposals for the LA BusinessSource Centers will allow the City to continue this success by improving the system and providing a more consistent and effective level of service.

JAN PERRY
General Manager

JP:SH:MB:MA

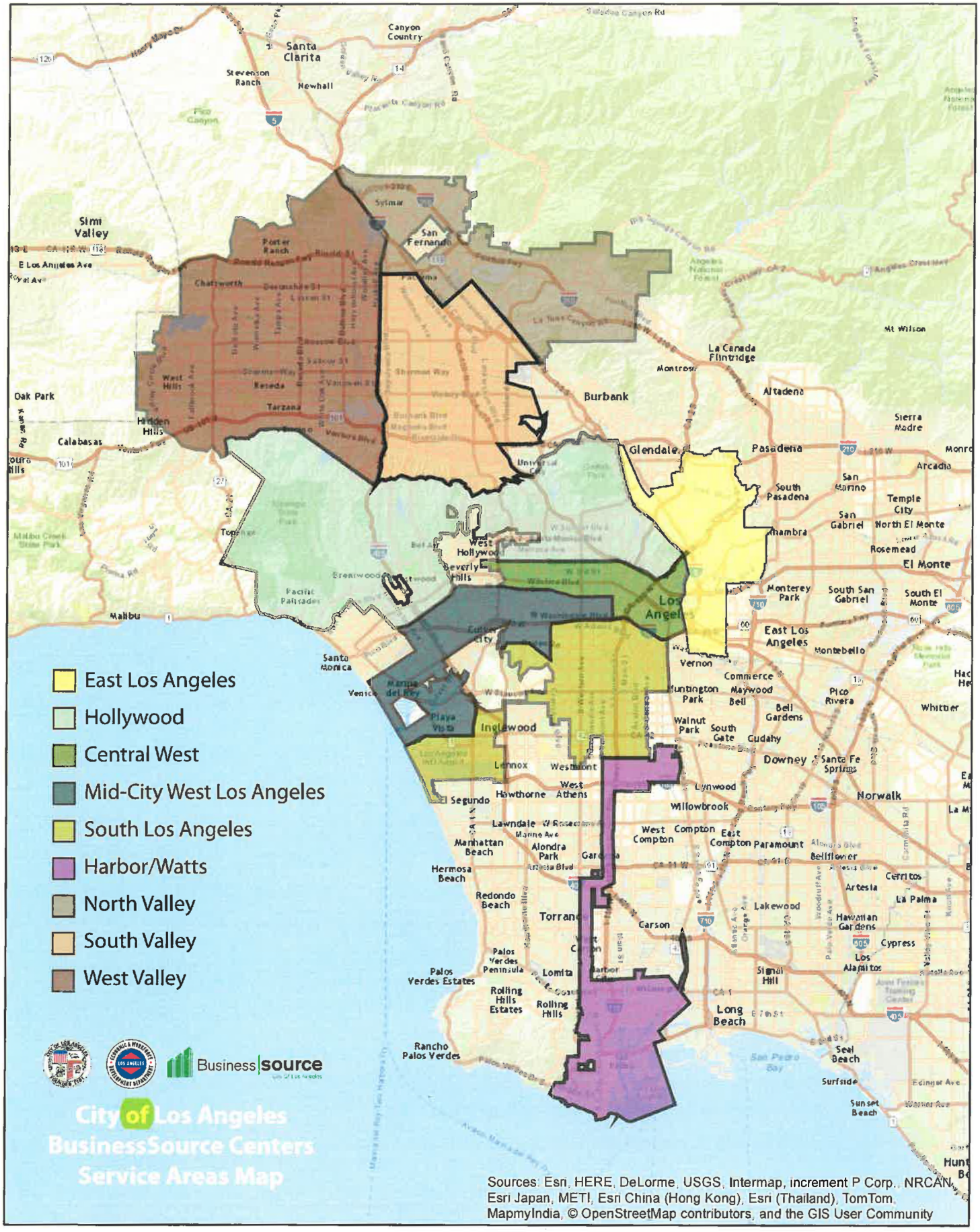
Attachment 1: 2015 LA BusinessSource Center RFP Scoring and Results
Attachment 2: LABSC RFP Service Area Map
Attachment 3: 2014-15 LA BusinessSource Center System Scorecards

Attachment 1 – 2015 LA BusinessSource Center RFP Scoring and Results

Recommended Proposers in **bold**

Service Area	Agency	Score
East Los Angeles	**Managed Career Solutions**	**86**
East Los Angeles	Pacific Asian Consortium in Employment	74
East Los Angeles	Barrio Planners Incorporated	70
Hollywood	**Managed Career Solutions**	**92**
Central West	**Pacific Asian Consortium in Employment**	**102**
Mid-City/ West Los Angeles	**Pacific Asian Consortium in Employment**	**97**
Mid-City/ West Los Angeles	Managed Career Solutions	87
South Los Angeles	**Vermont Slauson Economic Development Center**	**78**
Harbor/Watts	**Managed Career Solutions**	**85**
North Valley	**Valley Economic Development Center**	**83**
South Valley	**Initiating Change in Our Neighborhoods**	**81**
South Valley	Valley Economic Development Center	74
West Valley	**Valley Economic Development Center**	**82**

Attachment 2



Attachment 3 – 2014-15 LA BusinessSource Center System Scorecard

	Goals	Prestartups	Startups/Operating Businesses	**Column C = Col A + Col B**	Percent
Number of Pre-Startups / Startups Enrolled	1,967	1,269	1,216	2,485	126%
Number of Pre-Startups Who Launched a Business	154	211		211	137%
Number of New Businesses Established	34		69	69	203%
Number Who were Provided Access to Capital	582	357	657	1,014	174%
Number of Loans Approved	206	45	223	268	130%
Number of Loans (Total Amount)	$ 26,890,000	$ 4,615,000	$ 32,434,000	$ 37,049,000	138%
Number of Business Referrals	172	111	103	214	124%
Number of Jobs Created	1112	209	975	1,184	106%
Number of Jobs Retained	359		440	440	123%

Attachment 3 – 2014-15 LA BusinessSource Center System Scorecard

2014-2015 LABSC Provider Scorecard Data

	BPI East LA			PACE Central West LA			MCS Harbor			MCS Hollywood			* MCS Mid City			VSEDC South LA			ICON South Valley			VEDC North Valley			VEDC West Valley		
	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%	Goal	Actual	%
Number of Prestartups/Startups Enrolled/Operating Businesses	230	235	102	230	254	110	230	234	102	230	240	104	127	129	102	230	309	134	230	329	143	230	346	150	230	409	178
Number of Prestartups who Launched a Business	18	18	100	18	23	128	18	30	167	18	18	100	10	14	140	18	18	100	18	23	128	18	28	156	18	39	217
Number Businesses Established	4	21	525	4	4	100	4	9	225	4	7	175	2	2	100	4	14	350	4	4	100	4	4	100	4	4	100
Number Provided Access to Capital	68	123	181	68	118	173	68	99	146	68	101	148	38	67	138	68	77	113	68	154	226	68	144	212	68	131	193
Number of Loans Approved	24	26	108	24	33	138	24	28	117	24	25	104	14	14	100	24	23	96	24	23	96	24	32	133	24	64	267
Number of Total Loans Amount	$3.145 MM	$2.714 MM	86	$3.145 MM	$6.616 MM	210	$3.145 MM	$4.039 MM	128	$3.145 MM	$4.269 MM	136	$1.730 MM	$2,211 MM	128	$3.145 MM	$7.639 MM	243	$3.145 MM	$4,521 MM	144	$3.145 MM	$2.021 MM	64	$3.145 MM	$3.019 MM	96
Number of Businesses Referrals	20	21	105	20	28	140	20	23	115	20	20	100	12	13	108	20	20	100	20	24	120	20	35	175	20	30	150
Number of Jobs Created	130	132	102	130	138	106	130	133	102	130	132	102	72	72	100	130	138	106	130	130	100	130	145	112	130	164	126
Number of Jobs Retained	42	42	100	42	44	105	42	42	100	42	50	119	23	23	100	42	44	105	42	43	102	42	95	226	42	57	136

- Note - Mid City PY 14-15 Funding and goals were at a lower amount ($275,000)