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REF: EXE-080-20

To: Honorable Members of the Los Angeles City Council

From: Ted Ross, General Manager, Information Technology Agency *Ted M. Ross*
Shannon Hoppes, Chief Procurement Officer *Shannon Hoppes*
Mayor's Office of Budget and Innovation
John L. Reamer Jr., Inspector of Public Works, Bureau of Contract Administration *John L. Reamer, Jr.*

Subject: **REPORT BACK RELATIVE TO COMPETE4LA's PROPOSED REGIONAL PROCUREMENT PORTAL (COUNCIL FILE 19-0078)**

RECOMMENDATIONS

1. AUTHORIZE Information Technology Agency (ITA) to procure software licensing with Salesforce through the City's Insight contract to replatform the City's solicitation and regional procurement portal as described under Section 1 of this report (replacing what is currently known as the Los Angeles Business Assistance Virtual Network [LABAVN]).
2. AUTHORIZE the Controller to transfer funds from the following accounts to the Information Technology Agency Fund No. 100/32, Account No. 3040 (Contractual Services) for the license costs with Salesforce as follows:

Fund	Department	Account	Title	Amount
105	10	XX	Innovation Performance Commission Fund	\$168,634
100	76	0304	Bureau of Contract Administration - Contractual Services	\$100,000
			Department of Public Works	\$408,826
62L	22	XX	Economic Development Trust Fund	\$318,826
			Total:	\$996,286

3. INSTRUCT the CAO to unfreeze and allow ITA to fill two existing Programmer Analyst V positions and one Programmer Analyst III position to support this project.
4. INSTRUCT the City Administrative Officer (CAO), with the assistance of ITA and the Chief Procurement Officer (CPO) to conduct a fee study to obtain cost recovery, full or in part, for the replatforming, continuous development, and annual maintenance costs of the City's solicitation and regional procurement portal as described under Section 1 of this report (replacing what is currently known as LABAVN).
5. Instruct the CAO and the Chief Legislative Analyst (CLA) to work with the CPO to identify funding for a contract with an external organization to do business outreach and engagement (Objective 1).

SUMMARY

On January 23, 2019, Motion (Krekorian - Harris-Dawson) was introduced regarding the review of the LABCi Small Business Feasibility Study (Feasibility Study) concerning "Compete4LA" (C4LA), a procurement portal that would aggregate contracting opportunities from across the region, from both the public and private sector. The portal, modeled after the United Kingdom's successful CompeteFor, aims to open up the supply chain of major public infrastructure projects and sporting events by connecting small and disadvantaged businesses with contracting opportunities related to these projects. Pursuant to the Motion, the CLA submitted a report dated October 17, 2019, that analyzed and assessed the efficiencies or benefits that may be achieved through the proposal, a potential legal framework for implementation of the proposal, and the overall budgetary needs necessary for implementation.

On October 22, 2019, the Ad Hoc Committee on Comprehensive Job Creation Plan heard the CLA's report and voted to continue the item and instructed/requested the ITA, CPO, Bureau of Contract Administration (BCA) and the City Attorney to report back with the following:

1. The feasibility and funding needs to provide regional in-house contracting software that would allow participation from certified and non-certified businesses as well as private and public sector contractors.
2. Issue a Request for Information (RFI) and report with the results of the RFI, ensuring that the RFI included key elements of the Compete4LA program such as a centralized digital platform, public-private governing board, as well as a marketing, outreach, and onboarding program for small businesses.

3. Work with other government agencies and private contractors to assess their interest in participating in and jointly-funding a regional procurement organization with recommendations on the establishment and budgetary needs of a 501(c)(4) to implement the program.

The joint response from the CPO and ITA is detailed below:

1. ITA Feasibility and Funding Needs to Provide Regional Contracting Software

LABAVN, the City's current procurement and solicitation system, was established and developed in 2003 as a basic bulletin board for City contract opportunities. LABAVN was originally built with limited City requirements using the most current website technology at the time. Since the initial development, LABAVN has undergone substantial additions and modifications, however, the underlying technology and approach used to develop LABAVN has not been re-platformed for its new requirements. As the original system is nearly 18 years old and built on ColdFusion (released in 1995), LABAVN as it stands today cannot accommodate additional features and capabilities necessary for a regional contracting software, including robust cybersecurity and complex workflows. As part of the budget request for Fiscal Year 2020-2021, the CPO and ITA identified the replacement and modernization of LABAVN as a priority for the City.

Identifying the need to modernize and replace the LABAVN platform, on October 18, 2017, ITA released a Request for Information. During this competitive process, ITA performed an evaluation of current modern customer relationship management (CRM) software platforms and selected Salesforce as an appropriate platform. Based on the requests from this committee, ITA, with the assistance of Salesforce, completed a proof of concept by configuring basic LABAVN functionality on the Salesforce platform. A hands-on sample of LABAVN on the Salesforce platform was provided to City staff to explore and validate functionality. While the proof of concept continues, ITA staff and City employee LABAVN users have concluded that Salesforce is capable of housing current functions, and can accommodate additional features and capabilities.

Based on ITA estimates, under optimal circumstances, the replacement of LABAVN can be completed within six (6) to eight (8) months upon receipt of funding. This would have the necessary capabilities to be a regional procurement portal. After this time, additional features can be included for expanded regional contracting needs and functions.

The annual cost of the licenses with Salesforce is \$996,286, which will fund the platform that will house the public portal, provide 1000 user licenses for government and private industry users to post and manage their bid opportunities, give access at no cost to suppliers to utilize the system's capabilities and search the database of contractors, as well as enable enhanced security to protect contractor profiles. If the City requires more than 1000 user licenses, additional funding will be required and additional user licenses

can be added at the volume discounted rate, which is tiered for additional discounts with larger volumes.

ITA requires unfreeze authority for three positions to provide the appropriate staffing level to support this project. This will allow the upgrade of two Programmer Analyst positions (Programmer Analyst IV to V) and one Application Programmer (promotion to Programmer Analyst III) who will be responsible for building and maintaining the platform. Additionally, the CPO and CAO's office, with the assistance of ITA, will conduct a fee study to obtain cost-recovery of the licensing and staffing costs through subscriptions from government and private entities who post contracting opportunities on the platform. The cost to these subscribers will be lower than other proposals researched because the application services will be provided by the City, with no intent to profit from reselling the system. The platform will remain free to businesses seeking procurement opportunities.

2. Discussion of RFI Results

The City released an RFI on February 21, 2020, with a May 1, 2020, deadline to ascertain the capabilities and capacities from any and all interested entities to help inform the City's approach to a regional contracting and procurement outreach program whether that may be:

1. Objective 1: Small Business Participation and Engagement
 - a. Outlining and describing a regional marketing, outreach, and onboarding strategic plan for small business engagement.
2. Objective 2: Regional Digital Platform
 - a. Determining the capabilities in the marketplace of a contracting and procurement software that would support the described regional approach and allow participation from certified and non-certified businesses as well as private and public sector contractors.
 - b. Determine the capabilities for a large number of opportunities being posted, responded, and shared.
 - c. Determine the digital platform entity.

The type of responses received at the May 1, 2020, 7PM, deadline were as follows: 15 responses in total; 13 deemed responsive and two unresponsive. See Attachment A to this report for all RFI submissions:

1. Objective 1 (Small Business Participation and Engagement): **3 Total**
2. Objective 2 (Regional Digital Platform): **1 Total**
3. Objective 1 and 2 (Small Business Participation and Engagement and Regional Digital Platform): **8 Total**

4. Other (any other approach with the intention to support a regional coordinated contracting and procurement strategy not mentioned) : **1 Total**

Objective 1 (Small Business Participation and Engagement)

Three organizations responded to Objective 1: two nonprofit organizations and one private marketing firm. Each has extensive backgrounds in small business outreach and workforce development. The two nonprofit organizations are based in Los Angeles and have worked with the City on various procurement initiatives, whether that be creating “contract ready” training programs or sitting on a City-led steering committees regarding economic activity. Both nonprofit organizations submitted estimated annual cost ranges from \$543,863.32 - \$627,000.00, which is the average price point for this objective.

The private marketing firm, based in New York, has experience working with other municipalities around workforce development and small business outreach, though not with the City of Los Angeles. The private firm stated that their fees usually range from \$75,000 - \$250,000 with an additional \$7,500-\$20,000 month retainer as needed. This initial price point is below the average of all received price points for this objective. The nonprofit respondents mentioned they have existing City partnerships they have developed outreach programs with and their scope of work is similar to the work of Merriwether and Williams, who has an existing contract with the City.

Objective 2 (Regional Digital Platform)

A total of one organization responded to Objective 2, the regional digital platform. The respondent provided a licensed fee-based approach and a breakdown of their ability to create a regional platform tailored to the City’s needs and existing procurement software. This respondent proposes creating a single cloud service, with mobile integration, that can potentially interface with the City’s procurement systems but would have to be built from scratch, in conjunction with Salesforce and Microsoft to be tailored to the City. The respondent submitted an estimated cost ranging from \$750,000 - \$1,000,000, requiring four years to launch the software, which is an average price point for all submissions under this objective. However this price does not include support, maintenance, system enhancement, or licenses which would increase the annual cost to the City substantially.

Objective 1 and 2 (Small Business Engagement and Regional Digital Platform)

Out of the thirteen responses, eight submitted responses for both Objectives 1 and 2. Four companies provided a detailed description of Objective 2 (Regional Digital Platform), however, in relation to Objective 1 (Small Business Engagement) they explained that they see their role as supporting the cities outreach plan with marketing and that many of the capabilities built into their respective platforms exist to enable business outreach and engagement. It is important to note that these responses did not answer all the questions related to small business outreach nor did they provide a full strategic plan on outreach. Two companies also spoke to their respective platforms being able to assist outreach and engagement goals, but with an emphasis on their matchmaking capabilities and ease of

communication between platform users. The final two companies provided an in-depth strategic outreach plan and both have extensive experience working in the Los Angeles region.

In regards to estimated costs, one respondent submitted that they are licensed fee-based, for example they would charge per number of license users and the fees decrease if the number of users increase. Additionally, implementation, support, and other fees were not included and do not provide a full view of the estimated costs. One respondent submitted links for what they charge another agency as a reference to what they can charge for the City, however the links did not work, so no estimated costs were determined for that respondent. The final six respondents submitted estimated costs that provided a one time initial cost fee plus monthly fees as needed for additional licenses, support, and amenities. The range of total cost for a digital platform ranged from \$469,500.00 to \$7,500,000.00. Since many of the responses revolve around an initial cost and then added charges that will most likely be needed, the price points may be excessive when considering the add ons. There were not enough specifics provided regarding system integration into the complexities of the City's contracting processes, let alone the ease of integration regionally. Many of the platforms do provide a variety of advancements and experience with different municipalities revolving around procurement.

Other (Any Other Approach With The Intention To Support A Regional Coordinated Contracting and Procurement Strategy Not Mentioned)

One consulting firm submitted a response describing the need for a city wide analysis of procurement and the creation of an effective procurement process by using best procurement practices before deciding on a digital regional procurement platform. This response is meant to be complementary to the other two objectives.

3. Interest and Feedback from Private Contractors and Government Agencies

Council District Two and the CPO met with a number of private sector partners to assess their interest in participating in a regional procurement platform. Together, they had meetings with AEG, SoFi Stadium, the Los Angeles Sports and Entertainment Commission along with several large stakeholder meetings composed of representatives from the Los Angeles Rams, National Association of Women Business Owners, the Los Angeles Gay and Lesbian Chamber of Commerce, the Small Business Administration, and others.

During these meetings, the private sector and sports and entertainment representatives expressed their preference for a platform that would easily integrate with their existing contracting systems and track their spend in order to demonstrate they are meeting their business inclusion and diversity targets. The business membership organizations voiced their need for a platform that would 1) aggregate all opportunities into one location, 2) a single business profile that minimized the need for suppliers to duplicate the same information for each contracting opportunity, and 3) provide referrals to businesses with

unsuccessful bids to external financing and training resources. Finally, all private sector stakeholders emphasized the importance of a matchmaking capability that would automatically connect qualified suppliers with relevant contracting opportunities, minimizing the time that both vendors and buyers spend on searching for solicitations and diverse suppliers respectively.

Additionally, the CPO met with proprietary departments, including the Los Angeles Department of Water and Power, Los Angeles World Airports, and the Port of Los Angeles. The proprietary departments were invited to participate in the review of the RFI submissions. Both the CPO and the proprietary departments expressed the need for collective participation in the development of the new platform to ensure that the platform will meet the operational needs of each department. The new platform will be developed with the ability for departments to configure API to fit with their operational requirements that may be fulfilled by other software or procedurally mandated processes. The goal of the new platform is to ensure that the information is able to easily integrate with each departments' systems. As is the case with the City's current solicitation platform, proprietary departments will be expected to contribute financially to the new platform as well.

Fiscal impact Statement

Funding for the first year has been identified, there is no General Fund impact. On-going annual funding in the amount of approximately \$1M must be identified, potentially from use fees charged to other public agencies and private corporations. in order to sustain use of the replatformed system for future years.

Conclusion

Over the past two decades, LABAVN has provided a single portal of entry for the City's procurement, allowing businesses to access opportunities of billions of dollars of public spend. However, LABAVN currently uses an antiquated software platform that must be modernized to support a regional procurement portal.

As the City and the region navigate the current economic fallout from COVID-19, the replatforming of the City's solicitation and regional procurement portal will serve as a critical economic recovery tool for it's small and disadvantaged businesses. Investment in the City's procurement Infrastructure, will prime the City into becoming a better steward of business opportunities and relationship building between the public and private sectors. As the host City to a number of major sporting events, including the 2022 Super Bowl, 2023 U.S. Open, 2026 FIFA World Cup, and the 2028 Summer Olympics, the City of Los Angeles must invest in its procurement and business outreach programs to best leverage the billions of dollars of investment that is to come to this region.

Through this initiative, it is the effort of the City to foster collaborative relationships that will revolve around the sharing and displaying of structured open data and information throughout the region, providing transparency and opportunities to businesses. Success this project will expand a platform that was once solely for the use of the City of Los Angeles, into an open and collaborative regional space for its regional partners and its businesses.

Additionally it is important to note that increasing access to contracting opportunities alone will not necessarily guarantee that small or underserved businesses will be successful in winning contracts. In order for the regional procurement system to fully achieve its objectives, it is recommended that an external contract be executed with an organization specializing in business outreach and engagement (Objective 1) to onboard businesses onto the platform and prepare them to win contracts through one-on-one training and counseling. Although no funds are identified at this time for this contract, it is recommended that the City continue to pursue funding options and release a Request for Proposals (RFP) when such funding is secured. The CAO will continue to work with the CPO, ITA, and CLA to identify funding for this contract.