



MAYORAL PLAYBOOK: STRENGTHENING L.A.'S NONPROFITS

January 2023

**Recommendations for
Immediate, Impactful Action
Steps for Mayor Bass**

HR&A



COMMITTEE
FOR GREATER LA

MEMORANDUM

To: Mayor Karen Bass

From: Committee for Greater L.A.

Date: **January 2023**

Re: Recommendations for immediate action to strengthen the nonprofits on which the City relies for safety net services

We applaud you for acting with urgency to declare a state of emergency on homelessness in Los Angeles.

A state of emergency is an opportunity to marshal new resources and cut through red tape. We also believe, during this crisis moment, **it is imperative that we investigate how L.A. City government has been getting in its own way: how its dysfunctional processes have perpetuated the homelessness crisis,** leaving too many people sleeping on the streets without the shelter, medical attention, and social service support that they most urgently need.

The truth is that **the City of Los Angeles relies on contracted and non-contracted nonprofit organizations to support our social safety net.** Many critical safety net services, from gang reduction programming to youth services to homelessness prevention to our guaranteed income pilot are delivered by non-profit organizations using City funds. This includes building transitional and supportive homes and providing the services that can prevent and end homelessness.

But unnecessary bureaucracy, delayed payment, underpayment, and a lack of a meaningful partnership in program design make it very difficult for nonprofits to do their jobs. Not only do nonprofits experience chronic delays in payment from the City – when they are paid, their budgets often fail to cover the full cost for critical services rendered. The result is fewer transitional and supportive homes being built, fewer residents given housing and other supportive services, and more nonprofit workers at risk of not being paid or laid off.

As Mayor, we do not believe you will be able to deliver on the promises you have made on equity and on homelessness unless you reset how the City partners with and supports the nonprofits who deliver the essential services on which Angelenos depend. The good news is that there are eight immediate plays you can make, as Mayor, to right these wrongs. In the following pages, we present recommended operational and budgetary steps to:

- **Pay non-profits on-time and upfront**
- **Eliminate unnecessary red tape and delay**

- **Immediately create and empower a leader within City Hall** who can hold relationships with the nonprofit sector and create the policy and accountability within City government to improve how every part of City government treats nonprofits

The plays we recommend are (1) fully within your control as Mayor, meaning they do not require City Council approval; (2) can begin now and be expanded through the Fiscal Year 2023-2024 budget once it is approved in June 2023; (3) position you for quick, impactful improvements to advance the City's response to homelessness and other urgent needs Angelenos face; and (4) lay the foundation for important systems change throughout your first term.

We believe that enacting these plays is a critical component of the current state of emergency on homelessness. If the City is actually going to be able to deploy the city, state, and federal resources that begin to flow as a result of this state of emergency, it is imperative that you take immediate action to improve how the City partners with the nonprofits you will need to do the on-the-ground work of building supportive housing and expanding assistance to our most vulnerable residents.

In contrast, the consequences of not enacting these plays could be continued City dysfunction that exacerbates the very problems you were elected to solve. When nonprofits are not paid by the City, these nonprofits cannot pay their own people and may struggle to keep their doors open. This places hundreds of thousands of working families employed by L.A.'s nonprofits at financial risk — exacerbating the strain on a frontline workforce that is largely composed of people of color already struggling to make a family-sustaining wage and afford rent.

Unsurprisingly, the problem is borne more heavily by Black- and Brown-led nonprofits, which experience financial insecurity at greater rates than white-led organizations. According to a recent survey by the Pat Brown Institute and the Nonprofit Finance Fund,¹ 69% of survey respondents cited the lack of full-cost funding and unrestricted revenue from government contracts as top concerns for their financial outlook. Local government's problematic contracting approach is one reason why 53% of Black-led nonprofits and 26% of Latinx-led nonprofits reported having sixty days or less of a cash reserve, compared to 19% of white-led nonprofits and 6% of AAPI-led organizations; why only 45% of Black-led nonprofit organizations in L.A. ended Fiscal 2021 with a surplus, compared to 65% of white-led nonprofits in L.A.; and why 78% of all nonprofit leaders in L.A. expressed worry about their long-term financial sustainability.

We know the work of fixing the City's entrenched and complex payment and contracting systems is difficult. We also know that, as Mayor, your first months in office will be dominated by the need to (1) take decisive, impactful steps to ameliorate the homelessness crisis and, (2) deliver a balanced budget by April 20th. To be as helpful to your administration as possible, the Committee for Great LA launched the Strengthening L.A.'s Nonprofit Organizations project in fall 2022. As part of the project, the Nonprofit Finance Fund (NFF) interviewed over a dozen nonprofits with direct City contracts and analyzed data from its [2022 State of the Nonprofit Sector](#) report specific to nonprofits in L.A. Additionally, HR&A studied the regulatory, budgetary, programmatic, and appointment powers available to the Mayor and interviewed dozens of current and former City Hall and City department

¹ 2022 State of the Nonprofit Sector Survey – Los Angeles Survey Results. Nonprofit Finance Fund

leaders. The recommendations in this memorandum are supported by the companion public report *Resetting LA City to Meet Urgent Community Needs*. This memorandum also builds upon the work of other L.A.-based organizations that have long advocated for a more effective partnership between government and the nonprofit sector.

Our hope is that the eight plays we recommend will position you to leverage the current state of emergency to implement real, meaningful system change within City government and avoid future delays to the essential housing and social services Angelenos need. We stand by your side ready to work with you in meeting this challenge.

RECOMMENDATIONS FOR IMMEDIATE ACTION

Play #1: Pay nonprofits on time

- Jointly announce, with the Office of the Controller, an Executive Directive charging every department with clearing the backlog of unregistered contracts and outstanding invoices within 60 days to ensure nonprofits can commence the urgent work they have been selected to perform and are paid for work they have already done on the City's behalf. For proprietary departments, the Mayor should request that these departments also comply with this directive to clear their contract and invoice backlog.
- Create new systems and accountability to ensure timely payment in the future. The Mayor's Executive Directive should also charge every department with developing and submitting an action plan to adhere to new standards that include: 1) contract registration within 30 days, and 2) invoice payment within 15 days and create a public dashboard that reports monthly on the number of unregistered contracts and percentage of invoices that have been paid within 15 days, with a breakdown by City Department.

Play #2: Cut the red tape

- Direct all City agencies to migrate all their procurement to [Regional Alliance Marketplace for Procurement \(RAMP\)](#) by July 1, 2023. Launched in 2022, RAMP is a digital portal which will reduce process redundancies (saving City and vendor staff time) and create a uniform dataset that will allow the City to more easily track and report on how effectively and efficiently its procurement system is working.
- Direct all City agencies to designate a point person within their department to work with the Chief Procurement Officer to review and streamline their discretionary procurement, contracting, and oversight policies.

Play #3: Pay nonprofits upfront

- Direct all City agencies to immediately begin upfront payment for contracted organizations that are delivering critical services for unhoused and housing insecure Angelenos, using the authority of the currently declared state of emergency on homelessness.

- Direct the Office of Procurement to work with City Attorney’s Office to revise current City policy with respect to paying for services upfront and create a contract grant option that allows organizations that contract with the City to receive an upfront payment of 25% of the contract value at the beginning of the contract.

Play #4: Empower a leader within City Hall to hold relationships with the nonprofit sector and hold every part of City government accountable for improving how the City partners with nonprofits

- Create and appoint a credible director to lead a Mayor’s Office of Nonprofit Partnerships. This office should: develop policies that improve City government’s treatment of nonprofits and develop the accountability structures to ensure their successful implementation; create a technical assistance program to help nonprofit organizations navigate the City’s procurement and contracting systems; and regularly convene a nonprofit steering committee comprised of representatives from L.A.’s diverse nonprofit sector.

RECOMMENDATIONS FOR ACTION WITHIN THE FISCAL YEAR 2023-2024 BUDGET

Play #5: Fully fund the staffing and resource needs of the Office of the Chief Procurement Officer

- In the Fiscal Year 2023-2024 budget, we recommend that the Bass Administration ensure that the Office of Procurement has sufficient, dedicated staffing and resources to support its success. In addition to the Chief Procurement Officer, we estimate that this office will need at least ten dedicated staff members.

Play #6: Fully fund the staffing and resource needs of the Office of Nonprofit Partnerships

- In the Fiscal Year 2023-2024 budget, we recommend that the Bass Administration fund dedicated staffing and resources to support the success of the Office of Nonprofit Partnerships.

RECOMMENDATIONS FOR ACTION WITHIN YOUR FIRST SIX MONTHS IN OFFICE

Play #7: Fix additional structural and systemic issues that are undermining the City’s productive partnerships with the nonprofit sector

- Conduct an analysis to determine how the City can better support the financial health of nonprofit organizations and nonprofit employees (through contracting that reflects the complete costs of delivering services and raising the indirect rate) and develop recommendations for the Mayor’s consideration in the Fiscal Year 2024-2025 budget.
- Increase opportunities for the nonprofit sector to partner with the City to solve problems and shape solutions by inviting nonprofits to inform program design prior to the procurement process (consistent with procurement rules) and increasing the representation of nonprofits on Boards and Commissions for which the Mayor holds appointment power.

- Incentivize the services nonprofits are already providing to their communities by waiving fees and expediting permitting for the services that nonprofits are already providing in communities across Los Angeles.

Play #8: Leverage the Mayor's Fund to support L.A.'s nonprofit sector

- Provide flexible funding to test new ideas and approaches, like supporting initiatives that build the organizational infrastructure and capacity of organizations who can partner with the City, or close gaps in funding that public money cannot address
- Commission an annual report on the state of L.A.'s nonprofit sector and the City's progress toward improving how its partners with nonprofits.