



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.

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 on-time or for the full cost of services rendered, 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 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 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

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

housing and social services Angelenos need. We stand by your side ready to work with you in meeting this challenge.

Sincerely,
The Committee for Greater L.A.

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Eight recommended plays to reset how the City partners with nonprofits during the first six months of the Bass Administration

RECOMMENDATIONS FOR IMMEDIATE ACTION

Play #1: Pay nonprofits on time

In our interviews with nonprofits and City agencies, we consistently heard that City departments can take many months -- and sometimes up to a year -- to pay nonprofits for the services they are contracted with the City to provide. We also heard in interviews that once contracts are awarded, there can be significant delays in registering them. The average time it takes for a professional services firm, including nonprofits, to traverse the City's procurement process is 400 days.² This means that organizations often face a difficult choice between delaying providing services until their contract is registered or delivering services at the risk that, if the contract is not registered, the organization may never be paid for the services they have provided.

The City is slow to pay nonprofits and other vendors for their services because:

- **The City's process for contract registration and for invoice payment involves discretionary, often duplicative reviews.** This includes multiple levels of authorization, within the Department holding the contract, within City Hall, and the within the Office of Controller.
- **There is significant turnover and high vacancy rates** in positions who are critical to the contract registration and vendor payment process; and
- **City departments do an inconsistent job of helping contracted vendors navigate the City's procurement and payment processes.** Some larger nonprofits have a dedicated staff liaison with strong relationships with contracting staff or department leaders who can push through their contracts and payments, leaving smaller, less established nonprofits to navigate the City's bureaucracy on their own.

To fix these problems, we recommend that Mayor Bass:

- Jointly announce, with the Office of the Controller, a commitment to clearing the backlog of unregistered contracts and outstanding invoices within 60 days
- Issue an Executive Directive charging every department with clearing the backlog of unregistered contracts and outstanding invoices within 60 days. The Mayor's Executive

² Living Cities. [Five Cities that are Buying into Equity](#). 2017

Directive should require the General Managers at all City departments to, within 60 days, clear their backlog of unregistered contracts and unpaid invoices with existing contractors 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. These standards are already in use by the City's Community Investment for Families Department (CIFD), which manages a \$300 million annual budget, and relies largely on nonprofit partners to deliver services. To help ensure consistency, we recommend that Mayor Bass also request that proprietary department commissions also enforce these new standards for procurement and payment timelines. Additionally, we recommend that Mayor Bass:
 1. Direct department General Managers to assess staffing levels necessary to meet the new timelines for contract registration and invoice payments and to prioritize requests for these new positions in their Fiscal Year 2023-2024 budget requests;
 2. 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;
 3. Direct Departments to begin submitting data to populate the public dashboard beginning on March 1, 2023; and
 4. Name a staff lead within each agency to hold responsibility for driving progress on the action plan to adhere to new standards to register contracts within 30 days and pay invoices within 15 days.

Possible impact of enacting this play:

If contracted nonprofit organizations are paid on time, it could mean that nonprofits will:

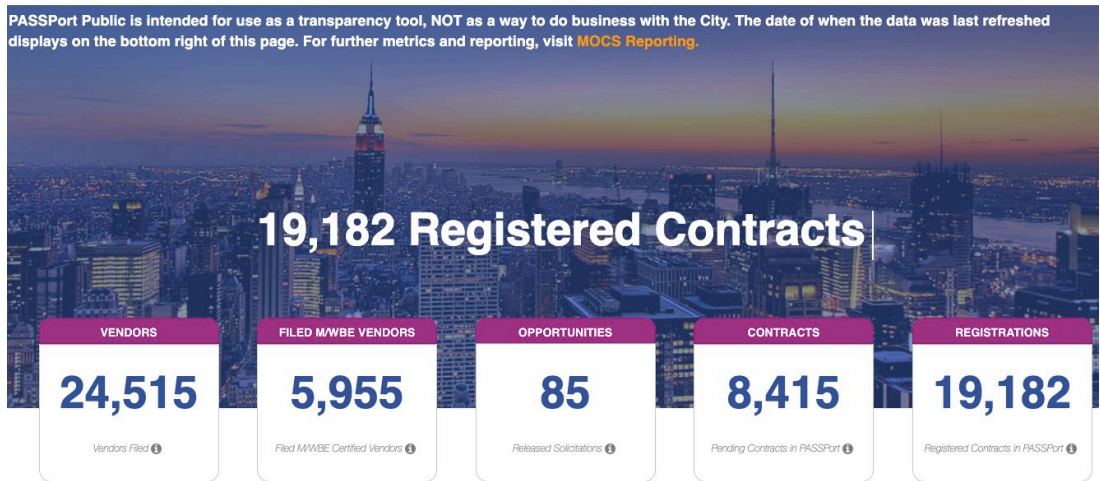
- **No longer risk delaying critical safety net services**, which some nonprofits may be forced to do now because delayed payment means they are forced to operate without sufficient cash flow;
- **No longer risk missing payroll or lay off employees**, many of whom are workers of color and workers already at risk of housing burden; and

- No longer need to take out loans to cover their costs associated with the City’s delayed payments, ending a practice which has led some nonprofits to not do business with the City because they have had to cover the interest charges on loans to bridge late City payments.

Successful implementation of similar strategies in other big cities:

- New York City Mayor Eric Adams found success tackling similar issues with his administration’s [“Clear the Backlog” initiative](#). Borne out of the [Joint Task Force to Get Nonprofits Paid On Time](#), a partnership between the Mayor’s Office and the City Comptroller, this effort registered 2,600 lingering contracts in 12 weeks and made more than \$4.2 billion in funds available for immediate deployment to over 450 service providers. Similar to the strategy we recommend for the City of L.A., New York City was able to clear its backlog by asking for action plans from procurement teams within all City departments and oversight agencies and defining and publishing key performance indicators to assess performance by departments and citywide. These metrics include procurement execution duration, share of on-time payments, and quantifying the amount of contracts that rely on payment advances or loans prior to registration.

We recommend that L.A. create a public-facing dashboard similar to New York City’s [PASSPort Public](#) that makes current information, at all stages of the procurement process, available to city vendors, not-for-profits, and the public to build transparency and accountability among all stages of the contracting and procurement process.



Play #2: Cut the red tape

In our interviews with current and former City Hall and City department leaders, we heard that there is a significant amount of discretionary process that the City has integrated into its contracting, payment, and vendor oversight. This means that City staff are devoting significant time to completing forms and reviews that may not be mandated where the State or Federal government is the source funding, or completing unnecessary process steps where the City is the source of funding. Overly complicated processes are also costly for vendors – including nonprofit vendors – who often have to

complete voluminous and duplicative paperwork, a significant administrative burden that can distract from service delivery.

Compounding the issue of unnecessary process is that, currently, every City department approaches procurement, contracting, and vendor oversight differently. Departments have their own discretionary processes, their own forms, and their own approaches to data collection. For contracted service providers, this can be arduous if the organization has to submit multiple forms with the same information if they contract with multiple City departments.

The City of L.A. is just beginning to address these issues – and to streamline and centralize its contracting – through two efforts:

1. **The Mayor's Office of the Chief Procurement Officer**, who is the City's first central point person to ensure the City's procurement processes are functional or optimized. Starting just under two years ago, the Chief Procurement Officer and their staff have been empowered to streamline the City's procurement processes and make it easier for those who want to do business with City—including nonprofit organizations. Codified in 2021 by City Council [Ordinance No. 187707](#), this office reports directly to the City Administrative Officer.
2. **The launch in 2022 of the [Regional Alliance Marketplace for Procurement \(RAMP\)](#)**, the first portal that centralizes both public and private procurement opportunities in L.A., creates a digital platform to streamline procurement, and aims to create more equitable access to contracting opportunities. According to the City of L.A., RAMP projects that it will make \$10 billion in contracting opportunities available in its first year of operations. To help vendors easily access and apply for opportunities, RAMP will include procurement opportunities from City of Los Angeles; Los Angeles County Department of Mental Health, Metropolitan Water District; construction and engineering firms including PCL Construction, Suffolk Construction, WSP, and Burns Group; sports and entertainment organizations including AEG, NFL, and the Los Angeles Dodgers; financial institutions including MUFG and City National Bank; and other large contractors.

These two very new efforts have the potential to significantly reduce red tape in the City's procurement system. If fully staffed, empowered, and resourced, the Chief Procurement Officer could streamline contracting across all 47 City departments and serve as a central point of accountability within City Hall – one that holds departments accountable and one that is accountable to the for-profit and nonprofit organizations on which the City relies to deliver services. And if all City departments fully migrate their procurement to RAMP, this 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.

To accelerate the City's newly launched efforts to cut the red tape, we recommend that Mayor Bass:

- **Direct all City agencies to migrate all their procurement to RAMP by July 1, 2023.** If all City departments are using the RAMP system, this will mean that nonprofit and for-profit vendors

will be able to use one digitized platform to understand the funding opportunities that are available to them; upload information about their organizations one time and draw from this same data to support multiple funding applications; and be able to use the platform to clearly see the process and their progress. To help ensure consistency, we recommend that Mayor Bass also request that proprietary department commissions also migrate their procurement to RAMP by July 1, 2023.

- **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.** We recommend that the Mayor direct each City department to create an action plan that will detail the ways in which they will streamline and simplify their processes along with a timeline by which they will implement these changes. We recommend that Mayor Bass authorize the Chief Procurement Office to use an accountability structure similar to the structure used by [the Office of Racial Equity](#): according to our interviews, departments are required to submit a progress report on how they have advanced their racial equity action plans to the Office of Racial Equity each year at the beginning of the budget cycle; if the department has made appropriate progress, this will factor favorably into the Mayor's and the City Administrative Officer's review of the department's requests for new budget allocations. If the department has not made appropriate progress on their racial equity action plan, this could mean that their new budget requests will not be reviewed favorably by City Hall.

Possible impact of enacting this play:

If the City accelerates progress toward cutting the red tape in its procurement processes, it could mean that:

- **Nonprofits will be able to save staff and resource costs they are currently devoting to the administrative tasks of contracting and compliance,** repurposing this time and funding to serving their communities.
- **City departments will be able to reduce the burden on staff** associated with navigating discretionary and often duplicative processes.

Successful implementation of similar strategies in other big cities:

Unified, digitized procurement systems are becoming a standard feature of a modernized, streamlined approach to how cities contract with the organizations on which they rely to deliver services. The City of Chicago has been [recognized](#) by Living Cities and The Citi Foundation as a leader in adopting practices that can close the racial gaps that can exist in local contracting. One of these practices is the development of [iSupplier](#), a universal procurement system for public agencies in the region that aims to cut the administrative burden and red tape for organizations seeking public contracts. Chicago's iSupplier platform unifies seven procurement systems and has made it easier for vendors to navigate these systems by developing a common compliance and certification system and aggregating open bid

opportunities in one place. As another example, the City of [St. Paul](#) has created an online procurement platform as part of its commitment to more equitable procurement and contracting. On this online platform, any vendor can easily register as a minority- or women-owned business or a small business and be notified of capacity-building workshops that can help these vendors navigate the procurement process.

Play #3: Pay nonprofits upfront

Currently, most organizations that contract with the City must deliver services before they are paid by the City. Payment after the fact has profound implications for nonprofit organizations: they may have to identify other sources of funding to ramp up service delivery and pay their staff; or they may incur expenses knowing that there is a risk they will only be partially compensated by the City for the services they have delivered. One large nonprofit that does significant business with the City told us in an interview—that his organization “loses money on almost every City government contract.” As one example, his organization received a contract from the City to deliver approximately \$1 million in COVID-19 recovery services. The nonprofit delivered services for eleven months, at a cost of \$1 million to the nonprofit organization. At this point, 11 months into the fiscal year, the City determined that it would only compensate the nonprofit \$700,000. From the perspective of this interviewee, the lack of a reasonable percentage of up-front payment from the City – and sometimes payment that only represents a portion of the costs an organization has incurred – places “an undue burden on the City’s most important community partners.” These payment practices also mean that there are “a number of nonprofit organizations who could be very helpful to the City who will not contract with the City because they cannot afford to take the financial risk that City contracting entails.”

According to our interviews, there are two recent examples of exceptions to the City’s practice of avoiding upfront payment: (1) the City prepays the Los Angeles Homeless Services Authority (LAHSA), an independent nonprofit, for services, and (2) the City utilized the emergency declaration during the start of the COVID-19 pandemic to prepay some organizations for COVID-19 response efforts.

To ensure that nonprofits delivering critical services have the resources they need upfront, we recommend that Mayor Bass:

- 1. 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.** This will provide the City’s nonprofit partners with the cashflow they need to avoid service delays.
- 2. 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, with a mechanism to reduce the value of invoices toward the end of the contract term to compensate for upfront payment.

Possible impact of enacting this play:

If the City adopts these recommendations on upfront payment, it could mean that:

- **Nonprofits will be able to meet the urgency of the Mayor’s emergency declaration on homelessness** because they will have funding to quickly ramp up operations without assuming financial risk associated with delayed or incomplete payment.
- **More nonprofits may be willing to apply for contracts to deliver City services in the future** because they will have less fear about the financial risk of incomplete payment after services are rendered.

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

Currently, within City government, there is no central point person to listen to the needs of L.A.’s nonprofits and develop the policies and accountability structure to change City policies and practices to support better partnership with the nonprofit sector. We recommend structuring oversight and accountability for the recommendations in this memorandum as the City has done for other significant initiatives that span City government. Specifically, we recommend creating and staffing a new dedicated, empowered office within City Hall with a directive to regularly convene nonprofits and develop and implement policies and practices that strengthen how the City partners with nonprofit organizations.

To create accountability and capacity to implement the recommendations in this memorandum, we suggest that Mayor Bass:

1. **Create, and appoint a credible director to lead, a Mayor’s Office of Nonprofit Partnerships.** We recommend that the Director of this Office have strong ties to the nonprofit sector and understand the realities of nonprofit finance and service delivery. We also recommend that the Director of this Office have a deep familiarity with City processes and operations. To help this Director and their Office begin work as quickly as possible, the Bass Administration may want to seek philanthropic support until the budget for this office can be allocated in the Fiscal Year 2023-2024 City budget. Additionally, we recommend that this Office have a formal relationship with the Chief Procurement Officer, whose office reports to the City Administrative Officer. This will ensure that nonprofit needs and experiences are centered in the Chief Procurement Officer’s effort to revamp City contracting policies as well as ensure that the RAMP platform meets the needs of nonprofit users.

2. Empower the Mayor's Office of Nonprofit Partnerships to:

- Oversee implementation of the Mayor's Executive Directive directing all City agencies to clear the backlog of invoices and unregistered contracts and comply with the City's new standards on invoice payment and contract registration;
- Review the action plans that City agencies develop to improve their procurement and payments practices and work with the Chief Procurement Office to hold departments accountable for progress on these plans;
- Develop additional policies that improve City government's treatment of nonprofits and develop the accountability structures to ensure their successful implementation;
- Monitor and report to the Mayor, City Council, and the nonprofit community on City agencies' progress in implementing the necessary policy and procedural changes that will improve the City's partnership with nonprofits;
- 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 (with representation from small and large nonprofits, and from nonprofits delivering various kinds of services to their communities) and offer this steering committee meaningful, regular opportunities to share their concerns and ideas with City Hall and inform City policy and practice with respect to nonprofit partnership. We also recommend that this steering committee include representatives from nonprofits that do no currently contract with the City.

Possible impact of enacting this play:

If the City creates a new office within City Hall to hold responsibility for how the City partners with the nonprofit sector, it could mean that:

- **The thousands of nonprofit organizations in L.A. will have a dedicated point of contact within City Hall to listen to their needs and ideas.**
- **The City will be able to more efficiently engage the nonprofit sector to inform future policy and practice decisions.**
- **There will be a credible leader within City Hall responsible for driving forward progress on the recommendations in this memorandum** and working within all City departments to improve how they partner with the nonprofit sector on which the City relies to deliver critical services.

Successful implementation of similar strategies in other big cities:

In 2021, the New York City Council voted to create the Mayor’s [Office of Nonprofits](#), which is charged with improving how the City partners with nonprofit organizations that it relies on to deliver health and human services, which accounted for \$12 billion (40%) of the City’s procurement portfolio for 2021. The Office is also responsible for convening the [Nonprofit Resiliency Committee](#), a coalition of 100 nonprofits, 40 mayoral agencies, the Mayor’s Office of Contract Services, the Office of Management and Budget and the Department of Education that meet regularly to standardize and streamline human services business practices to make it easier to do business with the City and support nonprofit resiliency. Based on the work of this Committee, New York City has adopted business policies that have resulted in nonprofits receiving more money, earlier, and with greater spending flexibility. As one example, the Committee’s [Indirect Cost Rate \(ICR\) Funding Initiative](#) helped nonprofits contracting with the City to receive an additional \$94 million annually to help cover their indirect costs. Additionally, the Office of Nonprofits develops and delivers technical assistance and training to help nonprofits identify funding opportunities and navigate the City’s procurement system.

The [Denver Office of Nonprofit Engagement](#), created in January 2004, serves as bridge between the City of Denver and the nonprofit sector. The Office is “committed to increasing the capacity and sustainability of the nonprofit sector” and delivers training and technical assistance to support nonprofit organizations and develops policy recommendations to improve the City’s procurement practices. The Office also makes direct funding awards to nonprofits, such as a \$2 million annual investment in nonprofits that can help low-income Denver residents make energy efficiency improvements (such as weatherization) and operates a nonprofit loan fund that has helped nonprofits continue to provide services during the COVID-19 pandemic.

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. This estimate is based on the previous size of the Mayor’s Operations Innovation Team, a partnership between Mayor Garcetti’s office, the Mayor’s Fund, and the L.A. Coalition for the Economy & Jobs, that was tasked with improving the operations of the city’s delivery of services: its civil service system, worker’s compensation, procurement and contracting practices, technology, customer service, and real estate management. This team was composed of a staff of twelve full-time employees embedded within City Hall and funded with an annual budget of \$1 million through the Mayor’s Fund. The team was responsible for overseeing implementation of three Executive Directives that affected the operations of about half of the City’s employees.

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.

In addition to staff for the Office of Nonprofit Partnerships, we recommend that funding be provided in the Fiscal Year 2023-2024 budget for a capacity-building fund to provide training and support to nonprofits to help them navigate the City's procurement and contracting. There may be an opportunity to raise additional funds for this capacity-building effort through the Mayor's Fund.

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

The immediate action steps we recommend in this memorandum – plays #1 through #4 – are intended to address some of the most urgent issues facing the nonprofit organizations on which the City depends to deliver critical services. Following the first few months in office and the delivery of a balanced budget, we suggest that the Bass Administration direct the Office of Nonprofit Partnerships to begin working on additional structural solutions to improve how the City partners with the nonprofit sector.

Specifically, we recommend that Mayor Bass direct the Office of Nonprofit Partnerships to:

- Conduct an analysis to determine how the City can better support the financial health of nonprofit organizations and nonprofit employees and develop recommendations for the Mayor's consideration in the Fiscal Year 2024-2025 budget. The Office of Nonprofit partnerships could work with a credible external researcher to conduct this analysis. We recommend that this analysis explore:
 - How to move toward City contracting that reflects the real and complete costs of delivering services.
 - Raising compensation for nonprofit employees working on City-contracted programs. To inform this analysis, the City of L.A. could look to recent developments in San Francisco. The City of San Francisco contracts with over 600 nonprofit service providers to deliver \$1.2 billion in safety net services to vulnerable residents each year. Following [analysis from the City's comptroller](#) showing that nonprofit workers earning the lowest wages often perform difficult front-line services necessary for program operations, below-market wages in mid-level positions lead to difficulty hiring and retaining staff, and high turnover, inconsistent staffing and difficulty hiring impacts client services, creates safety concerns, and destabilizes organizations, San Francisco

Mayor London Breed included in the [Fiscal Year 2022-2023 budget](#) includes a 5.25% pay increase for all employees of nonprofits funded by the city, plus a 2.5% increase for all nonprofit contracts, which could also go to worker earnings.

- Determine how the City can raise the indirect cost rate and maximizing flexible general fund funding across all City contracting. At minimum, all City contracts should follow federal uniform guidance rules of 10% indirect costs as a floor.³ We recommend that the Office of Nonprofit Partnerships should investigate whether all City contracts are adhering to this baseline. Additionally, the Office of Nonprofit Partnerships should develop recommendations to increase the use among City departments of a policy that allows non-profits to negotiate realistic indirect rates by (1) encouraging City departments to conduct this negotiation and (2) creating technical assistance materials to support awareness of and use of this negotiation policy among nonprofits that contract with the City. We also recommend that the Office of Nonprofit Partnerships explore developing citywide policies of accepting a nonprofit vendor's federally-approved indirect rate, for organizations that have one, and of automatically applying a nonprofit's indirect rate negotiated with one department to contracts that organization may hold in the future with any other City department.
- Increase opportunities for the nonprofit sector to partner with the City to solve problems and shape solutions. We recommend that the Office of Nonprofit Partnerships:
 - Work with the Chief Procurement Officer to develop guidance for City agencies on how to increase engagement with nonprofits, before a solicitation is released to invite organizations that may apply to deliver services to inform program design. This approach will need to be consistent with procurement rules, but could create important efficiencies for the City if service delivery organizations can help to identify and address possible issues with program design before procurement and contracting.
 - Develop recommendations for the Mayor to appoint representatives from L.A.'s diverse nonprofit sector to join the various Boards and Commissions to which the Mayor holds appointment power. Appointing non-profit representatives to the City's Affordable Housing and Planning commissions, for example, will help to include the perspective of organizations representing and serving communities into City policy development.
- Incentivize the services nonprofits are already providing to their communities. The Mayor and City Departments have full authority over fees and permitting. The Department of Recreation and Parks has, in the past, implemented policies that waive fees and expedite permitting for the services that nonprofits are already providing in communities across Los Angeles. This policy can make it less expensive, for example, for a nonprofit to find space to provide educational or employment support services if they are able to use City recreational spaces for free. This is a strategy that comes at very low cost to the City and makes it easier and less expensive for nonprofit organizations to serve their communities. We recommend that the

³ [2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards"](#)

Office of Nonprofit Services explore how to replicate similar policies across all City departments.

Possible impact of enacting this play:

If the Office of Nonprofit Partnerships explores how to address other systemic issues affecting the City's partnerships with nonprofit organizations, it could mean that:

- **The Mayor will have an actionable strategy for the Fiscal Year 2024-2025 budget** to better support the financial health of nonprofit organizations and nonprofit employees
- **The perspective of nonprofit organizations that serve and advocate on behalf of communities will be integrated into City policymaking**
- **The City will have a strategy to activate its resources (such as permitting, fee structures, City-owned land) to make it easier for nonprofits to deliver services in communities across the City**

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

Since its inception, the L.A. Mayor's Fund has leveraged the flexibility of philanthropic and private investment to advance City priorities, a significant portion of which has been granted to nonprofit organizations. For example, the Mayor's Fund partnered with nonprofits to disburse \$40 million during the COVID-19 pandemic in [Angeleno Cards](#), prepaid debit cards that helped nearly 105,000 low-income residents to cover the cost of basic needs such as medical aid and assistance, food, clothing, and rent payments.

We recommend that Mayor Bass develop a partnership with the Mayor's Fund to:

- 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. The Mayor's Fund has raised money, in the past, to seed the Office of the Chief Procurement Officer and the Operations Innovation Team. Mayor Bass could partner with the Mayor's Fund to identify seed funding for the Office of Nonprofit Partnerships.
- Commission an annual report on the state of L.A.'s nonprofit sector and the City's progress toward improving how it partners with nonprofits. As an example that could inform L.A.'s approach, the Denver Office of Nonprofit Engagement produces an annual report on [The Wellbeing of Nonprofits in Denver](#) that tracks the economic impact of the nonprofit sector, the financial health of nonprofit organizations, and the progress the City has made to strengthen how it partners with and supports the nonprofit sector. To help encourage accountability in L.A., we recommend that this annual report be authored by a reputable party outside of the City.

Possible impact of enacting this play:

If the Mayor develops a partnership with the Mayor's Fund to support the health of L.A.'s nonprofit sector, it could mean that:

- **The City could leverage flexible private and philanthropic funding to advance the recommendations in this report**

Successful implementation of similar strategies:

There is recent precedent in L.A. City government for partnering with a reputable external nonprofit entity to advance the City's pursuit of a more equitable procurement ecosystem. For example, in 2022 the Mayor's Office of Economic Development partnered with the Los Angeles County Economic Development Corporation (LAEDC) to identify barriers to greater representation of women-owned businesses among the City's vendors. The office commissioned LAEDC's Institute for Applied Economics to study this issue, results of which were published in [The Power of Procurement: Advancing Equity & Opportunity in Contracting for Women in Los Angeles](#) report. Most apparent among the findings were that despite constituting over 20% of all businesses in the region, women-owned enterprises did not comprise a similar ratio of awarded contracts or representation in the Regional Alliance Marketplace for Procurement (RAMP) system.

The findings in this report gave Mayor Garcetti the data on which to base administrative action via [Executive Directive #35](#). This order acknowledged the power the City has in its \$4.5 billion procurement efforts to uplift small businesses, especially those owned by women. Chief policy changes in this action included:

- Directing leaders of City departments and offices to change its data collection and reporting requirements to better understand who the City's business partners are and where the dollars are spent and utilizing the RAMP system to maintain and analyze trends for these new standardized procurement metrics.
- Directed the City Administrative Officer and Chief Procurement Officer to analyze and recommend ordinances and Charter amendments that modernize the City's evaluation of bids ensure inclusion of small businesses.
- Directed the City Administrative Officer and Chief Procurement Officer to offer recommendations within 60 days on policy changes to quickly increase the City's capacity to standardize contracting and compliance requirements, reduce bureaucratic hurdles to expedite vendor payments, and examine the resources required to create a Small Business Division within the CAO's Office of Procurement.

Possible impact of implementing the mayoral plays in this memorandum

Strengthening critical service delivery

If the City were to pay nonprofits on-time and cut the red tape associated with the City’s procurement and contracting processes, it could help ensure that contracted nonprofits have the resources they need to effectively deliver on their role as robust extensions to City government by providing on-the-ground, direct services to residents in every neighborhood across the city. Currently, the Mayor’s Office and City departments rely on nonprofits to carry out important programs that provide housing and homelessness services, employment and capacity training programs, community-based public safety solutions, youth development, and food assistance programs. With better payment and procurement practices for the City, as well as ongoing engagement, these nonprofits will be better able to deliver these critically needed services.

Illustrative examples of critical services that the City relies on contracted nonprofits to provide:

| | |
|-------------------------------------|--|
| <p>Homelessness services</p> | <ul style="list-style-type: none"> • The Homeless Housing, Assistance, and Prevention (HHAP) program, which the City funds through the Los Angeles Homeless Services Authority (LAHSA), supports nearly 100 nonprofits through funding, assisting with program design, conducting outcomes assessments, and providing technical assistance. In FY 2021-2022, the City pledged \$12.59 million to this program. <i>Source: LAHSA, Checkbook LA</i> • Project Roomkey is a crucial program that provides permanent supportive housing sites to those experiencing homelessness during the COVID-19 pandemic.³ The City provided contracts for nonprofits to serve as guest attendants at Roomkey sites. The City pledged \$9.46 million to LAHSA to partner with nonprofit organization to deliver this program. <i>Source: Chrysalis, Checkbook LA</i> |
| <p>Public safety</p> | <ul style="list-style-type: none"> • Summer Night Lights (SNL) is a nationally recognized public-philanthropic partnership that keeps City parks open during summer evenings. Nonprofits provide free family-oriented programming, including athletics, arts, lessons, food, and health and wellness. Through partnership with City departments, the Mayor’s Fund for LA, and local nonprofits, SNL has dedicated over \$12 million to provide free programming to over 6 million community members, serve over 3.5 million meals, and create over 9,100 jobs (of which 2,220 were youth hires) since 2008. <i>Source: Mayor’s Fund for Los Angeles</i> • The Crisis and Incident Response through Community Led Engagement (CIRCLE) is an \$8 million pilot program that provides 24/7 unarmed |

| | |
|--|---|
| | <p>response to people experiencing homelessness and decompression centers. Since October 2022, \$2.43 million has already been contracted to a nonprofit that provides proactive outreach on a team with a licensed clinician. <i>Source: LA Mayor (Archive), Checkbook LA</i></p> |
| <p>Economic opportunity and workforce development</p> | <ul style="list-style-type: none"> • Los Angeles Regional Initiative for Social Enterprise (LA:RISE) provides a pathway from unemployment for youth, previously homeless, or previously incarcerated individuals through a County-City partnership. Contracted nonprofits play a crucial role in training future employees for jobs, retention for current employees, and also provide supporting services including childcare, housing, transportation, financial literacy, and mental health counseling. In the previous fiscal year, this was a \$6.67 million program, of which 85% was allocated to nonprofits to continue carrying out these efforts. <i>Source: EWDD, City of Los Angeles Workforce Development Board</i> • The Angeleno Corps is a \$6 million program that offers educational and work experience to young adults across four career areas with the opportunity to earn income and a one-time scholarship. This mayor-led initiative committed 90% of the budget to contract out to nonprofit partners in the previous fiscal year. <i>Source: EWDD.</i> |

Advancing Mayor Bass's priorities

We believe that resetting how the City partners with nonprofit organizations will be a necessary component of delivering of your bold platform of equitable policy changes that Angelenos are eager to see in their city.

Mayor Bass's Goals

House 15,000 people
by end of Year 1:
Build more
temporary, affordable,
and permanent
supportive housing



Transition
individuals from
the streets to
housing and
services, and end
street
encampments



Existing City Nonprofit Partnerships that Will Need to Be Leveraged to Meet the Mayor's Goals

Homeless Housing, Assistance, and Prevention Program includes construction and operations of temporary and permanent housing solutions, support services, and counseling. \$12.6M was distributed to nonprofits in FY 21-22.

Source: Checkbook L.A., 2020-2021 Budget Summary

Los Angeles Homeless Services Authority (LAHSA) supports nearly **100 nonprofits** through funding, assisting with program design, conducting outcomes assessments, and providing technical assistance.

Source: LAHSA

The Housing Authority of the City of LA provides permanent supportive housing to over 27K households. The HACLA works with 19 nonprofit organizations to distribute housing vouchers to eligible individuals.

Source: HACLA

The Encampment to Home program seeks to transition individuals off the streets. The City contract with two nonprofits to assist with housing placement, storing personal belongings, and managing public spaces.

Source: LA Mayor Street Strategies (Archive)

Mayor Bass's Goals

Existing City Nonprofit Partnerships that Will Need to Be Leveraged to Meet the Mayor's Goals

Prevent homelessness and keep our neighbors housed



During the pandemic, nonprofits took applications and helped distribute 38K Angeleno Cards, which were prepaid debit cards to cover the cost of basic needs.

Source: Mayor's Fund for LA

Through the Solid Ground Homeless Prevention Program, nonprofits assist families with housing search, placement, and stabilization services.

Source: Community Investment for Families Department

Equip the unhoused with job training and employment services to reenter the workforce



14 YouthSource Centers (YSC) are operated out of nonprofit facilities to provide young Angelenos with pathways to receiving a high school diploma, paid internships, and job readiness programs.

Source: Youth.gov

The Day Laborers Services Program has connected thousands of casual day laborers to employers for temporary work while providing basic amenities at resource centers. The City currently contracts with 2 nonprofit agencies to carry out these services.

Source: Economic & Workforce Development Department

Lead on mental health and substance abuse treatment services



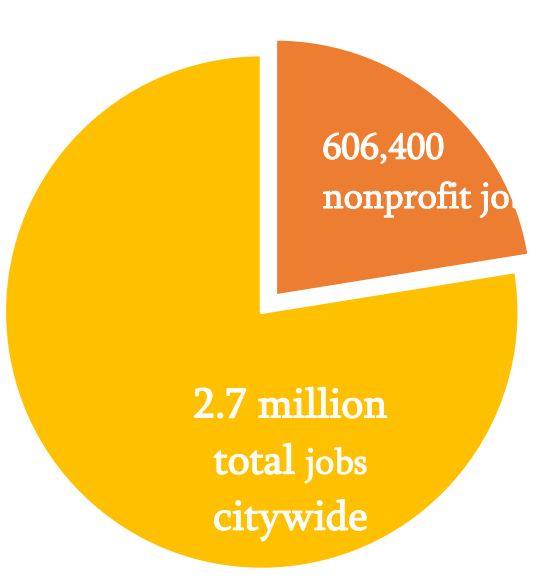
Crisis and Incident Response Through Community-Led Engagement (CIRCLE) provides around the clock unarmed response to people experiencing homelessness. \$8M is dedicated to **proactive outreach** and carried out by nonprofit workers.

Source: 2022-23 Budget Summary, Van Nuys Neighborhood Council

Promoting a healthier L.A. economy

When nonprofit organizations and nonprofit employees struggle financially, it reverberates across L.A.’s economy. If the City fixes its payment and procurement policies, this can contribute to a healthier economy overall.

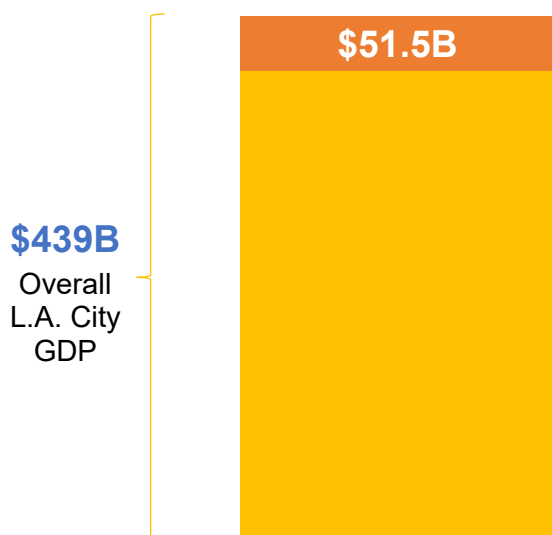
There are approximately 606,400 nonprofit jobs in the city of L.A., accounting for approximately 23% of all jobs citywide. These workers provide critical services that support Angelenos’ health, housing, safety, and opportunity.



- 93% of nonprofit jobs in Los Angeles come from the **healthcare facilities, social assistance and educational services** sectors
- **“Social Assistance” nonprofit jobs employ around 175,000 people** who provide services that address the basic needs of vulnerable populations, such as children and youth, the elderly, persons with disabilities, those facing food and housing insecurity, or those in emergency situations

Nonprofit share of total City jobs (Source: HR&A Analysis of EMSI Data)

The nonprofit sector is responsible for 10% of Los Angeles’ gross regional productivity (GRP).



Value of goods and services produced by nonprofits in the L.A. City region

By comparison, **nonprofits’ economic contribution is on par** with the total contribution of the legal, financial, design, advertising, scientific research, and computer systems design* industries (\$56.5 billion).

** These industries are paraphrased from those included within NAICS code 541, “Professional, Scientific, and Technical Services”.*

LA City Nonprofit GRP (Source: HR&A analysis of Emsi industry data)

Demand for youth, housing, and social services has spiked over the last decade – the total number of these jobs has more than tripled, while the total number of jobs in the nonprofit sector overall has grown by half.

| <i>Nonprofit job type</i> | 2011 total jobs | 2021 total jobs | 2011 – 2021 growth |
|--|-----------------|-----------------|--------------------|
| Educational services | 82,682 | 104,478 | 26% |
| Ambulatory healthcare services | 111,975 | 154,941 | 38% |
| Hospital healthcare services | 76,473 | 81,181 | 6% |
| Nursing and residential care | 41,980 | 49,385 | 18% |
| Youth, housing, and social services | 37,423 | 175,288 | 368% |
| Religious, grantmaking, and civic services | 40,153 | 41,132 | 2% |
| TOTAL | 390,688 | 606,405 | 55% |

Total nonprofit jobs across all fields.

For every *two* nonprofit jobs added to L.A.’s workforce, the region’s total number of jobs grows by *three*.

Jobs in nonprofit industries create jobs in other industries that support nonprofit services as well as the workers themselves (e.g. by providing housing, recreation, healthcare, education).

Source: HR&A Analysis of EMSI Data

The inverse however is also true. Nonprofit job loss leads to job loss for the city. The potential for job losses in the nonprofit sector to reverberate through L.A.’s economy deserves urgent attention, because according to the Nonprofit Finance Fund’s survey of L.A. nonprofits:

- **90% of BIPOC-led nonprofits** in L.A. report that achieving long-term financial stability is their top financial challenge
- **67% of L.A. nonprofits** report struggling to raise funding to cover the full cost of their services
- **54% of L.A. nonprofits** report struggling to offer competitive pay

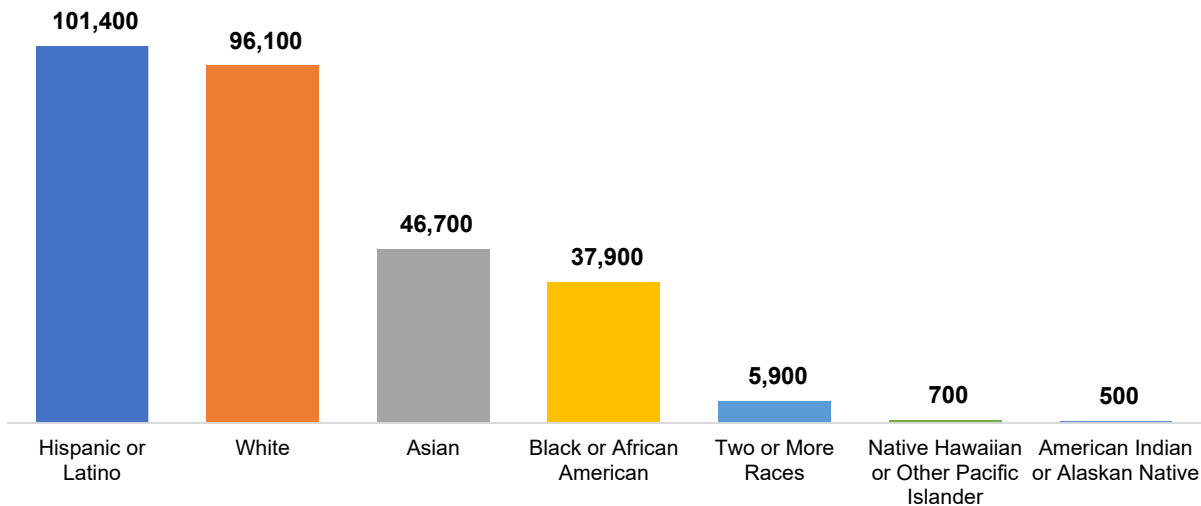
Nearly 290,000 nonprofit jobs have average wages that put workers at risk of being housing burdened. When nonprofit workers are financially insecure, a significant portion of LA’s workforce is pushed closer to, and over the edge of, housing insecurity.



Fair market rate of one-bedroom apartments in LA compared to nonprofit salaries (Source: HUD’s 2022 Fair Market Rent; HR&A analysis of Emsi Industry Data)

Of the nearly 290,000 nonprofit jobs have average wages that put workers at risk of being housing burdened – nearly 70% of whom are workers of color.

Non-profit workers at risk of being housing burdened, by race and ethnicity

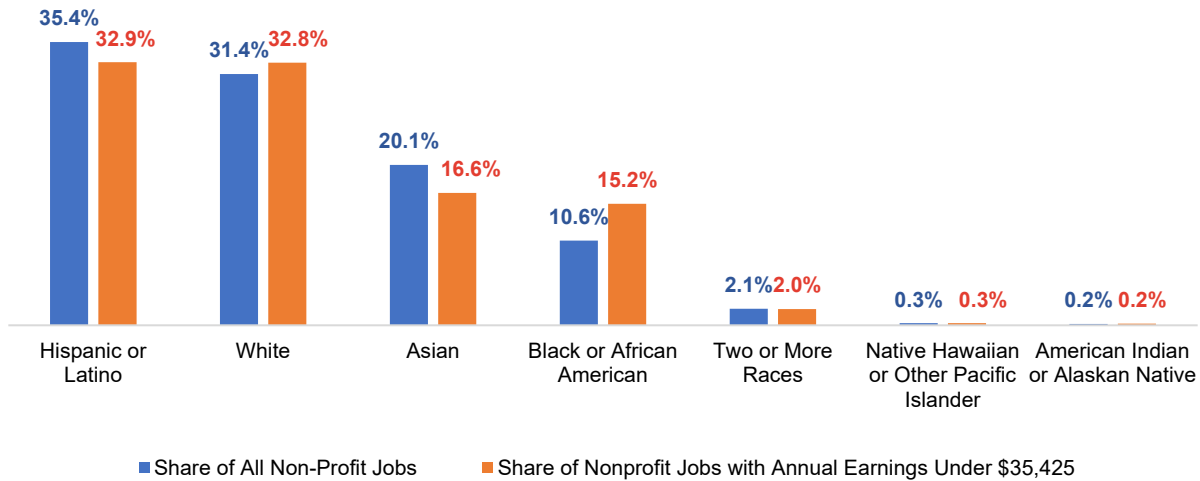


Race and ethnicity of nonprofit workers in rent-burdening jobs (Source: HR&A analysis of Emsi industry data)

Pay is even lower for the 170,000 nonprofit workers employed by social service and civic organizations – those that provide services for vulnerable populations, such as children, the elderly, those facing food and housing insecurity, or those in emergency situations. These nonprofit workers make an average \$35,425 annually, putting them firmly under the threshold of risk of housing burdened.

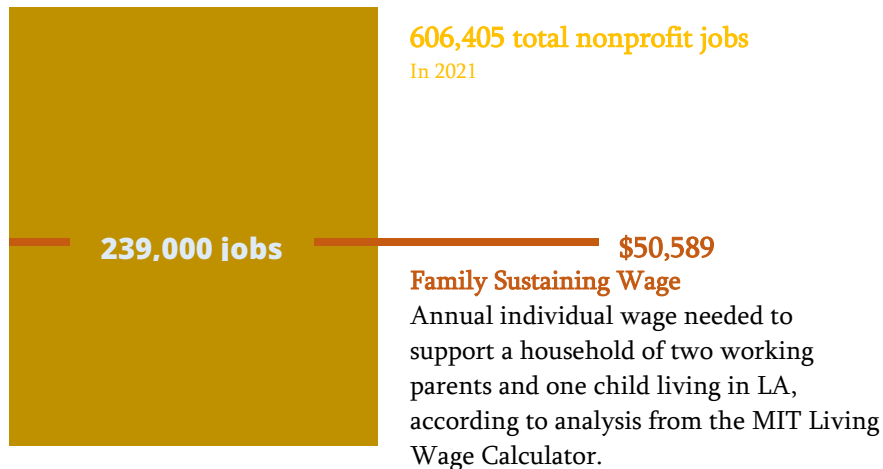
The result is that nonprofit workers providing critical services—including homelessness prevention services—are themselves on the brink of housing insecurity. Nonprofit workers of color hold most nonprofit jobs that pay \$35,425 or less.

Non-profit workers by race and ethnicity



Nonprofit jobs by race/ethnicity in industries with average earnings equal to or less than \$35,425 (Source: HR&A analysis of Emsi industry data)

Low pay among nonprofit workers delivering the critical services on which Angelenos depend also threatens family financial security. In nearly 40% of the jobs in L.A.’s nonprofit sector, the average annual compensation is not enough for two working parents to raise one child in L.A.



Nonprofit job compensation compared to MIT’s Living Wage Calculator and HUD’s Fair Market Rent (Source: HR&A Analysis of Emsi Industry Data)

Proposed Executive Directive to Improve Procurement and Payment of Organizations on Which L.A. Depends to Deliver Critical Services

EXECUTIVE DIRECTIVE

Subject: Immediate Improvements to the City’s Procurement and Payment Processes to Strengthen Nonprofit Organizations and Promote Critical Service Delivery

INTRODUCTION

On December 12, 2022, my first day as Mayor of the City of Los Angeles, I issued a Declaration of Local Emergency regarding the crisis of homelessness that exists in the City of Los Angeles.

To begin moving people indoors as quickly as possible, and to provide the permanent supportive housing, medical attention, and social service support that people urgently need, it is imperative that the City addresses long-standing issues with procurement and payment that affect the fiscal stability and service delivery of the organizations with which the City contracts to provide housing and stability services to the thousands of Angelenos living on our streets, in our shelters, and at risk of housing insecurity. Unnecessary bureaucracy, delayed payment, underpayment, and delays in contract registration risk fewer transitional and supportive homes being built and fewer residents given housing and other supportive services that can support them on the path to wellbeing and stability.

Improving procurement and payment practices is dependent on collaboration among the City of Los Angeles, the City Controller’s Office, the City Council, and our Social Service Providers. Therefore, I hereby direct the Mayor’s Chief Procurement Officer to coordinate with:

- Social Service Providers
- Los Angeles City Council
- The City Controller’s Office
- All other appropriate City Departments

I also hereby direct all City departments that contract with providers to deliver services related to housing, health, and social services to:

- Clear their backlog of unregistered contracts and unpaid invoices with existing contractors 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
- Develop and submit an action plan to the Chief Procurement Officer that details how their department will adhere to new citywide standards that include: 1) registration of all new contracts within 30 days, and 2) payment of all submitted and complete invoices within 15 days

- Name a lead within the department to hold responsibility for driving progress on the action plan to adhere to new standards to register contracts within 30 days and pay invoices within 15 days and to work with the Chief Procurement Officer to review and streamline their discretionary procurement, contracting, and oversight policies
- Begin submitting data to the Chief Procurement Officer on March 1, 2023, and recurring monthly, that documents 1) the number of contracts that the department has awarded, the number of contracts the department has registered, and the percentage of contracts registered within 30 days; and 2) the number of complete invoices the department has received in the past month and the percentage of these invoices that the department paid within 15 days
- Migrate all of their procurement opportunities to the Regional Alliance Marketplace for Procurement (RAMP) by July 1, 2023 to streamline the procurement process for vendors and create uniformity across City departments
- Immediately begin upfront payment for contracted organizations that are delivering critical services for unhoused and housing insecure Angelenos to avoid service delays

Implementation of this Executive Directive will be led by my Chief Procurement Officer in coordination with: the City Controller; the City Attorney; the Chief Administrative Officer; the Director of the Mayor's Office of Nonprofit Partnerships; and the General Managers or their designees from all City departments that contract with providers to deliver services related to housing, health, and social services.

The Chief Procurement Officer will also seek insight and expertise from lead Social Service Providers.

I request all other City Departments, Bureaus, Agencies, Boards and Commissions to support the Chief Procurement Officer as needed and to review all regulations and processes that may be unnecessarily delaying procurement and payment for services related to addressing the homelessness crisis in Los Angeles.

Finally, I direct the Cabinet to submit a report to the Mayor's office on all items related to implementation of this Executive Directive by March 31, 2023.