ASSESSMENT OF THE 2021-2023 EQUITY IN COUNTY CONTRACTING INITIATIVE

Reflections & Recommendations from the Nonprofit & Philanthropic Sector Perspective
ACKNOWLEDGEMENT

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BACKGROUND

Nonprofit community based organizations (CBOs) play an essential role in sustaining and strengthening communities. But the sector is not only a service provider. We are an essential partner to Los Angeles County, woven into the fabric of the social safety net. For too long, CBOs have been taken for granted, underpaid for the work we do in our communities, and overlooked as an economic force. For the sake of all residents, and especially the most vulnerable, L.A. County has a vested interest in ensuring the nonprofit sector is financially sound and able to continue its work to help all communities thrive.

In the Roadmap to Economic Recovery motion on April 28, 2020, at the height of the COVID-19 pandemic, the Los Angeles County Board of Supervisors voted to establish the Economic Resiliency Task Force to gain cross-sector insights on how the county should navigate this unprecedented time. At the invitation of the county, the nonprofit and philanthropic sector convened an experienced group of experts to contribute to the work, which became the Nonprofit and Philanthropic Taskforce. In the final report by the Economic Resiliency Task Force, several sectors identified issues related to contracting with the county as barriers to recovery. We named specific and urgent opportunities for improvement as it relates to the nonprofit sector.

Citing this report, the Los Angeles County Board of Supervisors approved the Equity in County Contracting (ECC) motion in April 2021, which directed county departments to engage with the Nonprofit and Philanthropic Taskforce to solve these issues. The board recognized that to achieve economic resiliency across our sector, and produce better outcomes, the county’s contracting, auditing, and reimbursement practices must evolve and change. The following report details, from our perspective and experience as the Nonprofit and Philanthropic Taskforce, the learnings and outcomes from the work we did under the two year ECC initiative and where we think it needs to go.
CELEBRATING PROGRESS AND ACKNOWLEDGING NEED FOR STRUCTURAL REFORMS

One of the biggest assets in this work has been the Board of Supervisors and the Office of the CEO, who understand that poor contracting practices hurt the quality and reach of services to communities, and block county resources from being deployed efficiently. Thanks to the Board of Supervisors and the CEO’s Office, the ECC initiative had real engagement from county departments and staff. Some of us have been pushing on these issues for over a decade. We finally had the right people at the table, thanks to the actions of the board. Through the ECC initiative, CBO and county staff came to better understand the differing needs and constraints we are up against. We established direct lines of communication that did not previously exist. Important work was done to document the issues and our recommended solutions.

While we have built a strong foundation to continue from, almost no implementation or meaningful change has resulted from our efforts. As far as the broader sector can see, we have been at this work for nearly three years with little tangible evidence to show for it. Nonprofit organizations report that the RFPs being released by county departments today are just as problematic as they were in 2019. County departments are communicating to us, in both word and deed, that they consider the work started under the ECC initiative to be over. We do not.

The board’s work to establish an Office of Centralized Contracting and Procurement at the County, per its August 2022 motion, and the inclusion of this office in the 2023-2024 FY county budget, is absolutely essential to continuing the efforts started under the ECC initiative. While the work has not led to tangible changes yet, it has clarified what needs to happen to improve or solve the issues at hand. We have learned that the work needs policy change to produce real-world changes. Department-by-department efforts and pilots are neither effective nor sustainable. Larger, systemic changes to county policies, culture, and the establishment of a governance structure to standardize best practices in contracting are needed to achieve the goals of ECC. To monitor and inform improvements over time, the county needs to collect and share data across departments and with the community.

TASKFORCE REFLECTIONS

As members of the Equity in County Contracting Taskforce, the following section of this report shares a series of critical reflections touching on major facets of the work directed...
by the Board of Supervisors in its Equity and Contracting Motion. These reflections are informed by the collective and extensive work done by both County staff and respective Taskforce members. They are informed by the hundreds of nonprofits that participated in focus groups and convenings and whose input, vision, and aspirations informed a Nonprofit Bill of Rights. The goal of these reflections are to highlight how our work might have fallen short of achieving our collective vision and how we might consider moving forward.

REFLECTION 1:
We Need Bold Policy Action, Not Just Process Improvements

The Nonprofit and Philanthropic Taskforce and the Action Teams and Workgroups we helped convene (see Appendix A and Appendix D for details) worked in earnest to find alignment with county departments on the actions that they were willing to take. Through weeks and weeks of discussions, we wrote and rewrote multiple versions of the changes that needed to be made in order to improve the efficiency and effectiveness of CBO contracting with LA County.

As part of this process, county staff repeatedly asked us to make our requests more and more specific and targeted. We were told that without these specifics, county departments could not understand what we were asking for or how to implement any change. What we offered as examples were turned into agenda items. Our issues were reduced to smaller and smaller units until they became so small as to be of no real importance or impact. And we were told no - to indirect cost coverage, to nonprofits informing RFP design, to standardizing county auditing practices across departments – because of county policy, which in some cases could not be specifically identified or explained and may actually be departmental practice.

This approach of putting CBO contractors in the position to attempt to secure economic reforms from county departments doesn’t work.

The following four recommendations outline how the county can get there.
REFLECTION 2: Create a Governance Structure for Contracts

The ECC efforts have suffered due to a lack of centralization. We often found that the Auditor-Controller, County Counsel, the Chief Executive Office, the Internal Services Department, and Board of Supervisors Deputies did not have the same perception of contracting practices, nor were they in agreement about what changes were needed or possible. No structure currently exists to coordinate these offices to holistically assess and monitor what is happening with county contracting (nor is there current data to inform such an assessment). The county needs a governance structure that coordinates the offices responsible for various aspects of contracting, such as a cluster model used to keep various departments aligned on issues of importance where there are overlapping responsibilities.

REFLECTION 3: Realize the Promise of the Office of Centralized Contracting and Procurement

The ECC initiative has created a trove of documented issues and recommendations (see Appendix A for details) that fall squarely under the Office of Centralized Contracting and Procurement’s (OCCP) mandate. With the inclusion of OCCP in the board-approved county budget, it is currently our best hope for pushing through reforms with departments. As county departments retreat from the ECC initiative, they point toward the OCCP as the responsible party to take up and carry forward the unfinished work. In addition, OCCP could be the office responsible for collecting data to measure progress on ECC initiative goals - a critical function that has been missing from the work to date. If its work is well executed, OCCP will do all that is necessary to arrive at fair, equitable treatment and compensation of CBOs, and, to that end, will closely collaborate with the L.A. County Anti-Racism, Diversity, and Inclusion Initiative.

However, we have two concerns that should be proactively addressed so as not to undermine OCCP’s effectiveness. Our first concern is around the ill-defined nature of how the office will effectively engage with CBOs in the short- and long-term. Engagement between OCCP and CBOs is essential for OCCP to have an ongoing understanding of the community’s needs and meet
those needs. We want to be clear that regular meetings between OCCP and CBOs do not, on their own, count as effective engagement. We need a clear, meaningful structure through which we can partner with the office to address our sector’s needs, set shared and measurable goals, and achieve OCCP’s mandate over time. We ask that the board direct the office, in their first six months, to work alongside CBO partners to institutionalize the structure of CBO involvement and to build their internal structure with staff whose job it is to create successful partnerships with CBOs. A potential structure could be the creation of a commission on nonprofits, for which we are currently advocating. There are other models for ensuring CBOs have a seat at the table, such as the Not-For-Profit Contracting Advisory Committee used by New York State.

Our second concern is that OCCP does not currently have any authority over departments that directly contract with CBOs. Without mandating that other departments engage, we foresee a situation where OCCP will have created excellent resources and recommendations for contract reform, but departments refuse to utilize or implement them. We have learned that an “opt-in” approach does not work. We believe that a board motion directing departments to work with OCCP to receive training and implement their reforms is how we will improve county contracting practices in a meaningful way.

REFLECTION 4:

Change County Culture from “No Because” to “Yes If” Thinking

A continual challenge to achieving the goals of the ECC initiative is the organizational culture upheld by many county staff. This culture manifests in “no because” thinking which focuses on finding reasons to reject or dismiss ideas, often based on past experiences, biases, or preconceived notions. When proposals or recommendations by CBOs to county staff are met with “no because,” it closes the conversation and prevents departments from exploring new possibilities. CBOs then must contribute additional work and emotional labor to reopen the conversation to try to find mutually beneficial solutions.

For contract reform to be successful, it requires county staff to embrace “yes if” thinking, which is characterized by a conditional and open-minded approach. Instead of immediately rejecting an idea or proposal, “yes if” thinking explores
the conditions under which the idea could work or be beneficial. It encourages creativity, flexibility, and a willingness to explore alternative options. An example of “yes if” thinking is the contract structure between the L.A. County Department of Health Services and the nonprofit Brilliant Corners to operate the Flexible Housing Subsidy Pool. When our sector asks to be treated as essential partners to the county, part of this request is that our ideas and proposals be met with a generative and constructive “yes if” response rather than a dismissive “no because” response.

We believe excessive risk aversion, as opposed to appropriate risk mitigation, often underpins “no because” thinking. So too does the decentralized nature of contracting at the county, where a “yes if” response from an individual within the county leaves them vulnerable to critique or chastisement because there are no accepted norms or guardrails for exploring alternative contract structures. Changes to policy, governance, and a mandate to adopt OCCP’s sanctioned practices will help the county move away from “no because” thinking.

REFLECTION 5: Collect Data, Use Data

The ECC initiative was hindered by a severe lack of data relating to base-line metrics, such as the number of nonprofits contracting with the county, or the dollar value of the contracts held by nonprofits. To measure progress, we needed data that could answer questions about the size, type, population served, leadership demographics, and geographic reach of organizations who successfully apply, unsuccessfully apply, or choose not to apply for county contracts. The absence of relevant data made it impossible to set targets and monitor changes over time. The scarcity of comprehensive data severely hampers smaller nonprofits’ ability to access crucial funding opportunities. To know whether any of our contract reform efforts are working, the county needs to collect data and make it available. In addition to quantifying how much money is going out, to whom, and for what, data should include feedback directly from nonprofit contractors. Utilizing the OCCP to collect such data, perhaps in partnership with the Anti-Racism, Diversity, and Inclusion Initiative, makes sense, as CBOs are hesitant to share negative feedback about the departments with which they contract. Making data transparent and easily

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available to the community is equally important to collection. Such sharing can be modeled off of other county data work. To truly make a meaningful impact on underserved communities, it is imperative that intentional directives are established to bridge the gap in data transparency between CBOs and County partners.

RECOMMENDATIONS

CBOs are essential components of the social safety net that build strong ties to county residents; especially to those living in high need and often underserved or marginalized communities throughout our region. L.A. County government relies on partnerships with nonprofits to help deliver critical public services, yet its contracting policies and practices fail to provide for the health, sustainability, and/or reach of the sector. To achieve economic resilience across our sector, the county must create fair and equitable contracting policies and practices, invest in the health and sustainability of this essential infrastructure, and ensure more opportunities for small to midsize nonprofits to contract with the county.

The county’s contracting, auditing, and reimbursement practices must evolve and change. The vast majority of county staff who took part in the ECC initiative agreed with this - they simply had no roadmap or model in which to implement change. We call on the Board of Supervisors and Chief Executive Office to go beyond the process-improvement approaches of the ECC motion and take substantive policy change actions through county ordinances, operational directives, or similar approaches in order to transform a system that currently has detrimental effects on the sector. We stand ready to partner with the county and offer the following recommendations:

1. Departments need to be required to change their contracting practices through policies and ordinances, because discussions, attempts at negotiation, and the good intention of individual county staff are not enough. The current contracting policies pertaining to issues like contract advances, indirect cost recovery, and just payments that support living wages are insufficient or entirely absent. This is to the detriment of the health, sustainability, and scale of the nonprofit sector. The county should identify ordinances and all other operational policies that need to be amended or promulgated to achieve a fair and equitable deal that better supports the health, resilience, and sustainability of the sector.
CBOs need centralized contract standards, and enforcement of those standards across departments, so that we have concise, consistent, complete, and accurate communication through the entire contracting lifecycle. so that CBOs can focus more on mission, quality provision on services and less on contracting dilemmas, which could be avoided with sound policy and practice.

Direct OCCP to establish systems to identify, track, analyze, and share data on county contracting with CBOs. In part, this data will show if changes to county contracting are making a difference. This data should report which CBOs apply for and ultimately receive county funding, the size and demographics of these organizations, the services being provided, and how the CBOs are distributed across high need regions identified by LA County’s Equity Index.

For more details about the work done under ECC, how it was structured, and who was involved, please reference the attached appendices or download them from www.cnmso-cal.org.