Why a Local Preference Policy?

• Encourages the City to “Shop Local”
• Encourages local vendor participation in the City’s purchasing process
• Promotes economic health of the City and community
• Helps keep sales tax within the local economy
• Increases productivity of taxpayer funds
• Good neighbor policy
Local Preference Policy Overview

**Requires Council to Approve an Ordinance**

- City Council must make findings declaring local businesses are at a competitive disadvantage with outside business

- “Local Business” definition
  - Established place of business within the City limits
  - Business license for the past 12 months
  - Not delinquent to the City in any payments
  - No active code enforcement or planning actions

- Applies to specific types of purchasing

- A part of City’s Purchasing Policy - *currently being updated*
## How the Preference Works

### Formal Bid Procedure-w/out Local Preference

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Bid Amount</th>
<th>Cost to the City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Local</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>$14,500</td>
<td></td>
</tr>
<tr>
<td>Non-Local</td>
<td>$14,000</td>
<td><strong>Lowest bidder</strong></td>
</tr>
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<td></td>
<td></td>
<td><strong>$14,000</strong></td>
</tr>
</tbody>
</table>

### With Local Preference

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Bid Amount</th>
<th>5% Preference</th>
<th>Cost to the City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Local</td>
<td>$15,000</td>
<td>$13,775</td>
<td>$14,500</td>
</tr>
<tr>
<td>Non-Local</td>
<td>14,000</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>$14,500</td>
<td>$14,500</td>
<td></td>
</tr>
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Bid price reduced by 5% - $725
<table>
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<tbody>
<tr>
<td><strong>Examples</strong></td>
<td>Facility construction and repair and improvements, street construction</td>
<td>Planning, Human Resources, Architecture studies</td>
<td>Vehicles, furniture, office materials, paper, uniforms, tools, police gear</td>
<td>Minor routine maintenance: repainting, landscaping, printing</td>
</tr>
<tr>
<td><strong>Current Purchasing Policy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$&gt;45,000$</td>
<td>Lowest bidder; Formal and Informal bids</td>
<td></td>
<td></td>
<td>$&gt;$15,000-Lowest Bidder formal contract procedures</td>
</tr>
<tr>
<td>$45,000-$5,000</td>
<td>Work may be performed by public agency employees; negotiated contract; purchase order; no bids required</td>
<td>Best qualified vendor; no formal bid process required</td>
<td>Use Request for Proposal Process on larger service projects</td>
<td>&lt;$15,000-informal pricing procedures (no bids required)</td>
</tr>
<tr>
<td>&lt;$5,000</td>
<td>Award to vendor who can provide best service</td>
<td></td>
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Exemptions under Local Preference

Mandatory Legal Exemption
• Capital Projects under Public Contracting Code

Typical / Proposed Exemptions
• Professional Services
• Purchases under $5,000
• Emergency purchases
• Sole source purchases
• Purchases funded by outside agencies that prohibit the use of preferences (grant funding)
• Where no bids have been received by the City following bid announcements
• Specialized services combined with equipment and/or products
## Types of Purchasing

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</thead>
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<tr>
<td><strong>Examples</strong></td>
<td>Facility construction and repair and improvements, street construction</td>
<td>Engineering, Planning, Human Resources, Architecture studies</td>
<td>Vehicles, furniture, office materials, paper, uniforms, tools, police gear</td>
<td>Minor routine maintenance: repainting, landscaping, paving, printing</td>
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## Current Purchasing Policy

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Policy Details</th>
<th><strong>Note</strong></th>
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<tr>
<td>&gt;$45,000</td>
<td>Lowest bidder; Formal and Informal bids</td>
<td>5% Local Preference; Formal contract procedures</td>
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<td>&lt;$45,000- &lt;$5,000</td>
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Professional Services Exemption

• Selection based on best-qualified vendor-not solely on price
• Consider adding language to ordinance:

“If the City Manager finds a local professional services vendor is equally responsive in meeting the needs of the City, including, but not limited to, price, qualifications, character, responsibility and fitness, he/she may give preference to a local professional services vendor.”
Policy Tensions

**Advantages**

- Keeps dollars and jobs local
- Keeps sales tax local
- Builds relationships with local vendors
- Shorter delivery times and distances; better for the environment and efficient for staff time
- Vendor’s familiarity with community
- Sends positive message to local community

**Disadvantages**

- May result in higher costs to the City
- Less impartial process; limits selection on best/lowest price
Public Outreach/Council

• Measure F Oversight/Finance Committee - Nov 20
• Chamber of Commerce-Government Affairs Committee-Dec 2
• Economic Development Advisory Committee (EDAC)-Dec 2

• City Council Review and Timeline if Approved
  • Ordinance - First Reading – Jan 13
  • Ordinance – Second Reading – Jan 27
  • Effective-February 27
Requested Actions This Evening

• Make findings declaring local businesses are at a competitive disadvantage

• Consider Professional Services Exemption language to ordinance

  “if the City Manager finds a local professional services vendor is equally responsive in meeting the needs of the City, including, but not limited to, price, qualifications, character, responsibility and fitness, he/she may give preference to a local professional services vendor.”

• By vote, introduce ordinance with modifications