



Finance Committee

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: DECEMBER 11, 2024**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: LOCAL VENDOR PREFERENCE PROCUREMENT POLICY UPDATE

ISSUES:

Receive and discuss a Local Preference procurement policy update.

RECOMMENDATIONS:

That the Finance Committee:

1. Discuss and provide input for a local preference procurement policy; and
2. Direct staff to incorporate discussion decisions, as well as discuss determinations for policy and legislative revisions.

BACKGROUND:

On July 9, 1991, the City Council adopted Resolution 17788 which allowed staff to consider a 1% local preference when evaluating bids for the purchase of goods. The 1% represented the sales tax the City would receive associated with a purchase.

On March 11, 2003, the City Council adopted Resolution 20363 amending portions of purchasing resolution 17788 including, but not limited to, increasing the local preference from 1% to 5% on the purchase of goods.

On April 17, 2012, the City Council approved a Community Benefit Program template for use in RFPs specifically for Design-Build contracts.

On November 19, 2020, the City Manager's Office presented the Local Preference and Disadvantaged Business Enterprise Procurement Policies and potential new policy implementation overview to the Economic Development, Placemaking, and Branding/Marketing Committee (Committee). Following discussion and without formal motion, the Committee unanimously (1) received and ordered filed an overview of the local preference procurement and disadvantaged business enterprise policies; and (2) requested staff prepare

an organizational plan that incorporates stakeholders and topics and information on the request for proposals of vacant City-owned surplus land to the Committee at a future meeting.

On January 21, 2021, the Finance Department presented to the Committee an Organizational Plan for Local Preference Procurement and Disadvantaged Business Enterprise (DBE) Policies incorporating stakeholders' topics and information on request for proposals of vacant City-owned surplus land. Following discussion, the Committee unanimously and without formal motion received and ordered filed the organizational plan.

On March 18, 2021, the Finance Department presented research findings for local preference policy expansion to the Committee with updates on ten related tasks and objectives. The Purchasing Division formulated data requirements to meet four goals to review Vendor Data, Contract Award Date, Vendor Opinions on Local Preference Programs and Stakeholder Involvement. Following discussion and without formal motion, the Committee received and ordered filed the report.

On October 19, 2023, the Finance Department outlined the existing local preference policies, offering a comprehensive overview of procurement methodologies and the current implementation of Local Vendor Preference (LVP) within the City. Comparative insights into analogous policies at neighboring municipalities were also provided for contextual understanding. In a strategic effort to inform future decision-making, the Committee revisited pertinent survey results as a refresher during this session. Subsequent inquiries were raised to discern essential policy elements requiring determination. Finance presented recommendations for an expanded scope of Local Preference, prompting the Committee to request a subsequent presentation for additional guidance on successfully incorporating all procurement categories, transcending the existing limitation to Goods.

On January 18, 2024, the Economic Development, Placemaking, and Branding/Marketing Committee, led by Chair Edwards and Member Hemenway, unanimously recommended expanding the Local Vendor Preference (LVP) policy to include a "Good Faith Effort Affidavit" for Level One purchases, supporting local vendor participation in Riverside. This decision, based on insights from the Finance Department, was shaped by data and best practices. The proposed LVP framework introduces tiered preferences for varying procurement levels and aims to strengthen local engagement, with specific criteria for Goods, Services, and Professional Services. The Finance Department recommended a structured "best value" approach to foster local economic growth while aligning with NIGP guidelines and broader city goals, with exceptions for certain contract types.

On March 19, 2024, the City Council approved the amended Purchasing Resolution to implement recommended changes to the City's Centralized Purchasing system regarding Local Vendor Preference as recommended by the Finance Department and the Economic Development, Placemaking and Branding/Marketing Committee.

DISCUSSION:

In March 2024, changes to the Local Vendor Preference (LVP) policy were implemented to increase local business participation, especially in Services and Professional Services. The criteria for LVP in Goods purchases remain unchanged, requiring sales tax to be reported within city boundaries and a valid City Business License. For Services and Professional Services, the

revised LVP incorporated a tiered approach: Level One (up to \$10K) requires only one quote with good-faith outreach to local businesses; Level Two (\$10K–\$50K) requires three quotes with a 5% local preference; and Level Three (over \$50K) keeps the 5% preference under formal bidding.

In informal procurements, departments are encouraged to prioritize locality when selecting providers. For formal procurements, locality is now an evaluation factor, with a 5% preference added to local vendors' total scores in RFPs. Exceptions to LVP apply in specific situations, such as construction projects, emergency contracts, cooperative purchasing agreements, and utility fund expenditures. These policy updates were intended to strengthen local business engagement, supporting economic growth within the city.

Since the March 2024 revision of the Local Vendor Preference (LVP) policy, there has been a notable shift towards increased local spending. Between March 2023 and November 2023, the City spent \$88,181,328 in total, with local spending at \$954,398, representing just 1.08% of the total. Following the policy revision, from March 2024 to November 2024, local spending rose significantly to \$2,830,157 out of a total of \$69,903,955, raising the local spend percentage to 4.05%. This represents a 196.5% increase in local spending despite a 20.73% decrease in total spending. The LVP policy revision has clearly prioritized local vendors, effectively channeling more resources into the local economy. This shift suggests that the policy change has succeeded in boosting local participation in city contracts, fostering economic support for local businesses even during periods of reduced overall spending. The increase in local spending as a percentage of the total also reflects a more strategic alignment with the City's goals of strengthening the local economic base and enhancing community engagement. (See Table 1)

Table 1

Goods and Services Expenditures (All Departments)

Time Period	Award Amount Local	Award Amount Total
03/20/2023 - 11/22/2023	\$ 954,398	\$ 88,181,328
03/20/2024 - 11/22/2024	\$ 2,830,157	\$ 69,903,955
Grand Total	\$ 3,784,555	\$ 158,085,283

Table 2 represents Local Businesses Bid Participation and Award Rates between March 2023–November 2023 and March 2024–November 2024, showing that local businesses increased their bid participation from 26 to 42, accounting for 10.24% and 8.33% of total bidders, respectively. Award rates for local businesses grew from 12 to 16, representing 15% and 15.09% of total awards in each period. While local businesses saw a 61.54% increase in participation and a 33.33% rise in awards, their proportional representation among total bidders and awards slightly decreased due to higher overall participation and awards during the second period. This indicates progress in engaging local vendors, though broader bidder competition has tempered their relative share.

Table 2

Representation of Local Businesses Bid Participation and Award Rates

Category	Time Period		Grand Total
	03/20/2023 - 11/22/2023	03/20/2024 - 11/22/2024	
Sum of Bidders			
Local	26	42	68
Other	378	462	840
Sum of Awards			
Local	12	16	28
Other	68	90	158
Total Sum of Bidders	404	504	908
Total Sum of Awards	80	106	186

During the first time frame (March 2023–November 2023), local bidders accounted for 38.24% of total local bids, with 42.86% of local awards granted. In the second time frame (March 2024–November 2024), local bidders increased to 61.76% of total local bids, and their share of local awards rose to 57.14%. While the number of local bidders and awards grew over time, the data suggests a modest improvement in local bidders' success rates as their proportion of total awards slightly increased in relation to their participation. (See Table 3)

Table 3

Analysis of Bids Where Local Vendors Did Not Win

Time Period	Local Bidders	Percentage of Local Bidders	Local Awards	Percentage of Local Awards
03/20/2023 - 11/22/2023	26	38.24%	12	42.86%
03/20/2024 - 11/22/2024	42	61.76%	16	57.14%
Grand Total	68	100.00%	28	100.00%

In conclusion, the March 2024 revision of the Local Vendor Preference (LVP) policy has significantly enhanced local business participation and local spending in city procurements. Local spending increased notably; even as overall city expenditures decreased. Participation by local businesses in bidding and contract awards also grew, with more local vendors engaging in city procurement opportunities and receiving awards. While broader competition resulted in a slight decline in their proportional share of bids and awards, the data indicates meaningful progress in supporting local businesses. The policy updates have successfully directed more resources to the local economy and strengthened the City's commitment to fostering local business engagement.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the Envision Riverside 2025 City Council Strategic Priority 3 – Economic Opportunity and, specifically, Goal 3.4: Collaborate with key partners to implement policies and programs that promote local business growth and ensure equitable opportunities for all.

This item also aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Connecting local businesses with increased procurement and

contracting opportunities is in the public best interest, benefits the City's diverse populations and results in the greater public good.

2. **Equity** – Connecting local businesses with increased opportunities during the solicitation and contracting processes is supportive of the City's geographic distribution of services to ensure every member of the community has equal access to share the benefits of community progress.
3. **Fiscal Responsibility** – This item supports local businesses through procurement, allowing for an opportunity to ensure that costs for services are aligned with the City budget and are cost effective.
4. **Innovation** – Connecting local businesses and stakeholders with the opportunity to expand policies and procedures creating collaborative partnerships and adaptive processes.
5. **Sustainability & Resiliency** – This item supports future growth for local businesses in the community.

FISCAL IMPACT:

There is no fiscal impact associated with the recommendations in this report. If new programs are recommended and implemented, the fiscal impact, if any, will be defined during City Council approval for those programs.

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Approved as to form: Jack Liu, Interim City Attorney

Attachment: Presentation