



City of Arts & Innovation

# Economic Development, Placemaking and Branding/Marketing Committee

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**TO: ECONOMIC DEVELOPMENT, PLACEMAKING AND BRANDING/MARKETING COMMITTEE MEMBERS**      **DATE: JANUARY 18, 2024**

**FROM: FINANCE DEPARTMENT**      **WARDS: ALL**

**SUBJECT: LOCAL VENDOR PREFERENCE PROCUREMENT POLICY EXPANSION UPDATE**

**ISSUES:**

Receive and discuss Local Preference procurement policy expansion addressing previous Committee questions and concerns.

**RECOMMENDATIONS:**

That the Economic Development, Placemaking and Branding/Marketing Committee:

1. Discuss and provide input for local preference procurement policy expansion; 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.

## **DISCUSSION:**

This report explores the merits of implementing Local Vendor Preference (LVP) within our procurement practices, addressing concerns raised by the Institute for Public Procurement (NIGP). Despite NIGP's reservations, the following discussion highlights key considerations and successful models that advocate for the strategic use of LVP in achieving economic, social, and sustainable community goals.

### **NIGP Recommendations:**

NIGP's stance on preference policies emphasizes the conflict with impartiality and full competition principles. However, recognizing the potential benefits of local preferences, NIGP proposes their incorporation as a criterion within a 'best value' evaluation and award process. This aligns with the Institute's commitment to economic and social values.

### **Review of Local Preference Policies:**

The Government Finance Review's comprehensive study on local preference policies in cities

and counties reveals varied approaches. While cities typically offer preferences of 1 to 5 percent, counties extend preferences of 5 to 10 percent. The distinction between city and county policies, especially reciprocal arrangements, underscores the diverse landscape of LVP implementation.

Flexible Percentage Preferences:

Cities successfully employ flexible percentage preferences based on bid differentials, ensuring judicious application of LVP. Examples from Los Angeles and Chicago illustrate the effectiveness of tailored preferences, creating incentives for local businesses and expanding the bidder pool.

Tiered Thresholds for Informal Solicitations:

Establishing tiered dollar thresholds for informal solicitations with corresponding LVP preferences emerges as a best practice. This approach customizes preferences to different procurement scales, ensuring a reasonable and manageable impact on City Staff.

Good Faith Effort for Informal Bidding:

The consideration of LVP as a good faith effort for informal bidding thresholds promotes local vendor participation without imposing stringent requirements. This flexible approach fosters collaboration with local businesses while maintaining procurement process flexibility.

Handling Multiple Qualified Local Vendors:

Cities address the challenge of multiple qualified local vendors by employing fair and transparent methods, considering factors such as vendor performance, capacity, or rotation to ensure equitable distribution of opportunities.

Data-Driven Decision-Making:

Encouragingly, some jurisdictions adopt commendable practices such as requesting historical statistics for evidence-based decision-making. Analyzing data on approved purchases allows for a deeper understanding of the effectiveness of LVP programs and identifies areas for improvement.

The analysis in Table 1, representing approved City purchases from July 1, 2020 – June 30, 2023, suggests that applying LVP to informal procurement could increase its application by approximately 28%, benefiting local vendors. Notably, local vendors exhibit substantial participation in both Formal and Informal procurement, particularly in the "Below \$10,000" and "Between \$10,001 - \$50,000" categories. The data-driven insights provide a comprehensive view of City procurement patterns, helping identify trends and areas for optimization.

Table No. 1

Approved Purchases	Type of Procurement				Formal Total	Informal				Informal Total	Grand Total
	Formal					Informal					
LVP & Thresholds	2020	2021	2022	2023		2020	2021	2022	2023		
<b>Local Vendor</b>	<b>14</b>	<b>22</b>	<b>60</b>	<b>70</b>	<b>166</b>	<b>133</b>	<b>247</b>	<b>257</b>	<b>366</b>	<b>1003</b>	<b>1169</b>
Below \$10,000						44	134	146	199	<b>523</b>	523
Between \$10,001 - \$50,000						89	113	111	167	<b>480</b>	480
Over \$50,000	14	22	60	70	<b>166</b>						166
<b>Non-Local</b>	<b>58</b>	<b>145</b>	<b>212</b>	<b>271</b>	<b>686</b>	<b>341</b>	<b>741</b>	<b>851</b>	<b>1115</b>	<b>3048</b>	<b>3734</b>
Below \$10,000						133	322	348	389	<b>1192</b>	1192
Between \$10,001 - \$50,000						208	419	503	726	<b>1856</b>	1856
Over \$50,000	58	145	212	271	<b>686</b>						686
<b>Grand Total</b>	<b>72</b>	<b>167</b>	<b>272</b>	<b>341</b>	<b>852</b>	<b>474</b>	<b>988</b>	<b>1108</b>	<b>1481</b>	<b>4051</b>	<b>4903</b>

This research concludes that the strategic and data-driven application of LVP, as supported by successful models and best practices, can contribute significantly to Riverside's economic growth and community development. As we move forward, careful consideration of LVP within a 'best value' framework is recommended to align with both NIGP principles and the diverse needs of our local business ecosystem.

### **Finance Recommendations Based on Data Analysis:**

#### LVP for Goods:

The existing criteria for LVP in Goods purchases remain unchanged, with vendors qualifying when all sales tax returns for the Goods must be reported to the State through a business within the geographic boundaries of the City. The City will continue to receive a percentage of sales tax, as allocable under existing state law. Vendors must also possess a valid City Business License.

#### LVP for Services and Professional Services:

Building on the data analysis that supports the effectiveness of LVP, it is recommended to incorporate LVP for Services and Professional Services as a Best Value measure. This aligns with successful models in the Design-Build category, where Proposers undertake outreach to all qualified Local Businesses. To demonstrate good-faith efforts, Proposers must engage in a comprehensive set of activities, including attending information meetings, advertising bids, providing written notice, and negotiating in good faith with interested Local Businesses. The addition of Local Vendor Preferences at different procurement levels, as outlined below, reflects a commitment to fostering local business participation:

- New Level One (Up to \$10K): Only one quote is required, with a focus on good-faith efforts.
- New Level Two (\$10K - \$50K): Requires three quotes, and Local Vendor Preference is set at 5%.
- Level Three (Over \$50K): Remains unchanged with formal bidding and a Local Vendor Preference of 5%.

#### Informal Procurement:

Departments are recommended to consider the locality of consultants or businesses and their subconsultants when selecting providers for service contracts. In situations where providers are competitively matched in terms of other criteria, local service providers should be given preference.

#### Formal Procurement:

For quantitative evaluations of proposals, the locality of the service provider should be included as an evaluation criterion in Request for Proposals (RFPs). An extra percentage weighting of 5% should be provided in the total rating score for local service providers. For qualitative evaluations, the locality of consultants or businesses and their sub-consultants should be considered along with other criteria identified in the RFP. If providers are competitively matched in terms of other criteria, local service providers should be selected.

#### Exceptions to Local Preference Policy:

While promoting local business participation, certain exceptions to the Local Vendor Preference Policy are recommended:

- LVP cannot be applied to purchases or services for Water, Sewer, or Refuse operations.
- Services provided under a cooperative purchasing agreement.
- Contracts funded by governmental entities with laws, regulations, or policies prohibiting local preference.
- Contracts procured under authority requiring award to the lowest responsible bidder without exceptions for local preference.
- Contracts let under emergency or noncompetitive situations.
- Services with an estimated cost of \$10,000 or less.
- The City Council may exercise discretion to waive the application of local business preference to a particular contract for which the Purchasing Manager is the awarding authority.

These recommendations aim to align our procurement practices with the data-supported benefits of Local Vendor Preference, fostering economic growth within our community.

### **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 and disadvantaged 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 and disadvantaged businesses with increased opportunities during the solicitation and contracting processes is supportive of the City's racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable 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 and disadvantaged 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, disadvantaged 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 and disadvantaged 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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Attachment: Presentation