



Expanding the Scope of the Local Preference Ordinance

City Council Meeting – February 7, 2023

City Council Request

City Council requested staff research the feasibility of updating the **existing Local Preference Ordinance**, established in 2009.

ITEMS STUDIED

1.

Strengthen the local preference program

Increase the local preference cap or percentage

2.

Expand how local preference is applied

Include Requests for Proposals and nonprofit proposers

3.

Refine reporting and transparency

Share more information on awardees, subcontracts, and economic impact

RECOMMENDED ACTIONS

1.

Strengthen the local preference program

Increase the cap on local preference 5x to **\$50,000**

Maintain 10% local preference percentage

Grow vendor participation and reduce barriers through **vendor outreach**

2.

Expand how local preference is applied

Provide guidance on applying local preference to **Requests for Proposals (RFPs)**

Apply local preference to **small dollar purchases**, which are less than \$25,000

3.

Refine reporting and transparency

Publish procurement and **contracting data annually** through the Purchasing Division Website

Reminder | Current Local Preference Ordinance

Municipal Code Section 2.84.030

- Eligible businesses must have a valid City of Long Beach business license and seller's permit with a **place of business within Long Beach city limits.**
- Preference applies to bids for the **purchase of goods.**
- Bidder will have bid **discounted by 10%, up to \$10,000.**
- Bids awarded to the **lowest responsible bidder**

Vendor Name	Bid	10% Preference	Evaluated Value	Contract Value
Vendor A: Non-Local	\$95,000	\$0	\$95,000	
Vendor B: Local	\$99,000	(\$9,900)	\$89,100	\$99,000
Vendor C: Local	\$150,000	(\$10,000)	\$140,000	

Exclusions: library media, public works of improvement, electronic data processing and telecommunications equipment, and some specific funding sources like Tidelands or grants.

Recommendation #1: Increase Local Preference Cap Fivefold

Summary of Findings

- **Local vendors are bidding.**
- **When local vendors bid, they tend to win.**
- **Long Beach's preference percentage is high compared to peer cities.**
- **Long Beach's preference cap is below peer cities.** Safe room to **increase 400%** to \$50,000.
- **Increasing the local preference percent would not have impacted past awards.**
 - Either not responsive or too much to close the gap.
 - Any change to the preference percentage would require an economic impact study to ensure the percentage is only offsetting the increased cost of doing business in Long Beach, per City regulations.
- **Increased outreach is effective at growing the vendor pool.** When additional outreach strategies were applied, **response rates doubled.**

Extreme Procurement Makeover Results: Vendor Outreach

Reaching a Broader Audience in 2022



- ✓ Purchasing and Business Licensing attended **10 virtual events** helping **600 vendors** learn how to do business with the City.
- ✓ Monthly webinar hosted every third Thursday

Staff attended community and business events in each Council District and continues an **equity-informed outreach** approach.

Long Beach Recovery Act Success

- ✓ Piloted new **outreach strategies**, including direct phone calls and emails, social media posts, and information sessions.
- ✓ Our **successes**:
 - **Response rate doubled** for RFPs and RFQs
 - **41% increase** for local bidders
 - **35% increase** for Minority Business Enterprises
 - **42% increase** for Woman Business Enterprises
- ✓ Outreach strategies **increase the participation** of small, local, and diverse businesses in the City's vendor pool.

Summary of Findings: Impact of Preference Cap Increase

Example of increased preference cap:

Current

Vendor Name	Bid	Preference, \$10k Cap	Evaluated Value	Contract Value
Vendor A: Non-Local	\$460,000	\$0	\$460,000	\$460,000
Vendor B: Local	\$500,000	(\$10,000)	\$490,000	

Proposed

Vendor Name	Bid	Preference, \$50k Cap	Evaluated Value	Contract Value
Vendor A: Non-Local	\$460,000	\$0	\$460,000	
Vendor B: Local	\$500,000	(\$50,000)	\$450,000	\$500,000

Recommendation #2: Apply to RFP's and small dollar purchases

➤ **Include local preference in the evaluation of RFPs.**

- By expanding to RFPs, local businesses and nonprofits providing professional services can also benefit from the local preference program.
- Update utilization of RFP evaluation criteria.

➤ **Apply a 10% preference to small dollar purchases.**

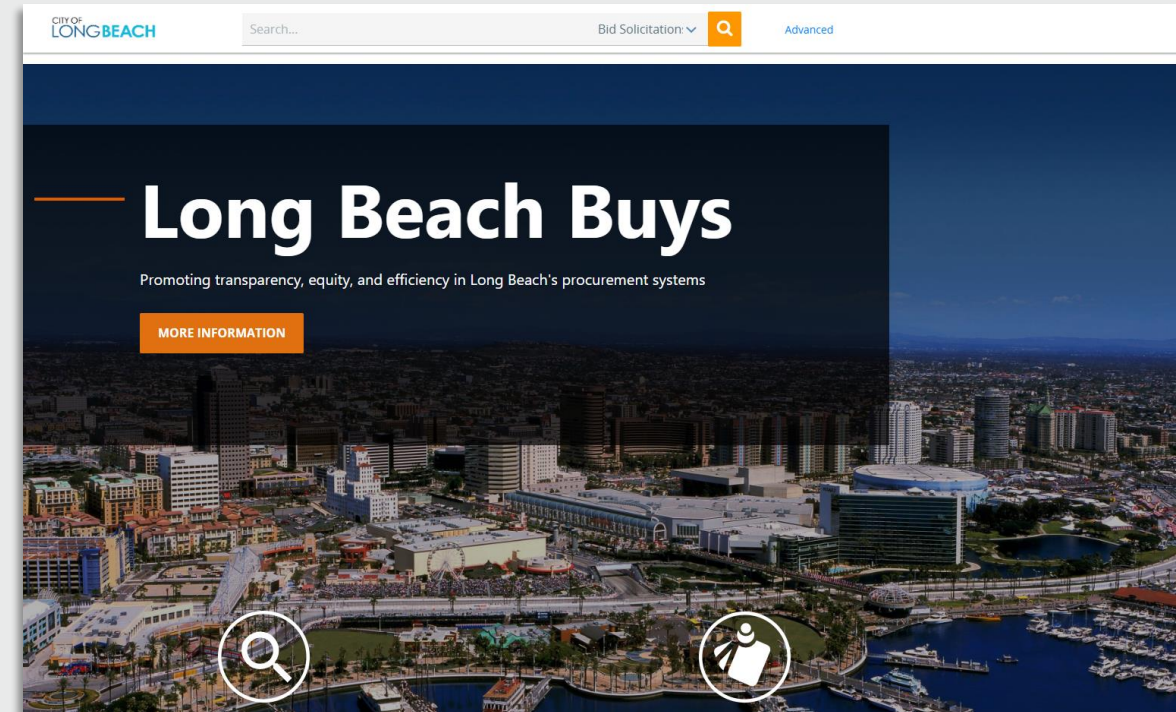
- Thousands of vendors do business with the City annually through purchases less than \$25,000.
- Applying a 10% preference when sourcing small dollar purchases, will help include more local vendors.

➤ **City Manager working to develop additional internal policies to encourage use of local vendors for small dollar purchases.**

Recommendation #3: Publicly reporting procurement data

Publish procurement and contracting data annually via website.

- Launched **Long Beach Buys**, a new **e-procurement system**.
 - Improves vendor experience
 - Allows for better analysis and reporting of data
 - Integrates with City systems.
- Update **Purchasing Division website**
 - Overall procurement data
 - Participation of local, small, and diverse business types.
- Report **sub-contracting data** with Small Business Enterprise Program



RECOMMENDED ACTIONS

1.

Strengthen the local preference program

Increase the cap on local preference to \$50,000

Maintain 10% local preference percentage

Grow vendor participation and reduce barriers through vendor outreach

2.

Expand how local preference is applied

Provide guidance on applying local preference to Requests for Proposals

Apply a 10% local preference to quotes sourced for purchases less than \$25,000

3.

Refine reporting and transparency

Publish procurement and contracting data annually via the Department of Financial Management website



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