



**CITY OF LONG BEACH**  
DEPARTMENT OF FINANCIAL MANAGEMENT

~~ORD-18~~

**ORD-3**

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

July 13, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Ordinance to Adopt a Local Preference Program (Citywide)

DISCUSSION

On November 5, 2002, Long Beach voters passed Ballot Measure U that amended City Charter Section 1803 to address the City's local preference as it is applied to the issuance of City contracts. The change now enables the City Council to set the nature and amount of the local preference by ordinance.

On April 6, 2004, a recommended Local Preference Program was presented to the City Council (see attachment). The City Council approved the recommended program and requested the City Attorney prepare an ordinance, including the guidelines outlined in the April 6, 2004 City Council letter. Pursuant to the request approved on April 6, 2004, the subject Ordinance has been prepared for consideration and adoption.

TIMING CONSIDERATIONS

City Council action on July 13, 2004 will allow for implementation of voter-approved initiative Measure U.

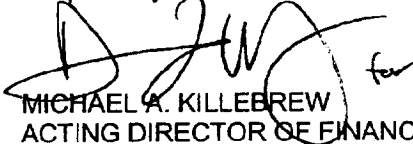
FISCAL IMPACT

Based on FY 03 purchases, it is estimated that applying a 2 percent up to a 5 percent preference to all purchases for equipment, material, supplies and non-professional services, with a contract ceiling of \$100,000, could result in additional costs to the City in all funds ranging from \$14,042 to \$70,209 annually.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Declare the Ordinance read, adopted as read, and laid over to the next meeting of the City Council for final reading.

Respectfully submitted,

  
MICHAEL A. KILLEBREW  
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

MAK:JV/cm  
Local Preference Program/Council/Lr

Attachment

APPROVED:

  
GERALD R. MILLER  
CITY MANAGER

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# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

April 6, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: City of Long Beach Local Preference Program (Citywide)

## DISCUSSION

On November 5, 2002, Long Beach voters passed Ballot Measure U that changed Charter Section 1803 to address the City's local preference as it is applied to the issuance of City contracts. The change now enables the City Council to set the nature and amount of the local preference by ordinance.

The Purchasing Division of the Department of Financial Management administers the local preference program. In general, a local preference is applied when a bid for materials, equipment, supplies or non-professional services is opened. The bid analysis, assuming all other factors are considered equal, incorporates the local preference for the lowest responsible bidder who maintains a business located within the city.

The attached report, submitted by memorandum to the City Council on May 1, 2003, provides a detailed review of the former procedures, a survey of local preferences for other California cities, the economic impacts of implementing a local preference, and a legal review of applicability and issues to consider in implementing a local preference program. The Long Beach Chamber of Commerce, Long Beach Black Chamber of Commerce and Economic Development Commission supported the recommendations identified in the report.

City staff and Chamber of Commerce representatives met in March 2004 to review the recommendations made to the City Council and have agreed to certain modifications to the program. The modifications take into consideration the economic challenges the City is currently facing while still recognizing the need to continue to support Long Beach businesses. As a result, staff recommends the following guidelines in establishing a Local Preference Program:

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CITY TREASURER  
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HONORABLE MAYOR AND CITY COUNCIL

April 6, 2004

Page 2

- Establish a 2 percent preference at implementation date applicable to all purchases of materials, equipment, supplies and non-professional services and increase it by one percentage each year until it reaches 5 percent in 2007.
- Establish a contract ceiling of \$100,000 on the purchase amount upon which the preference is applied. This ceiling supports the City Attorney's recommendation to minimize any "substantial" impact or effect on the market for any goods or services. It also enables City staff to monitor the financial impacts and make adjustments and recommendations after each year of applicability.
- Establish a policy that requires all businesses located within the city boundaries to file a Seller's Permit (Sales Tax permit) with their Long Beach address in order to qualify for the local preference.
- Review the applicability of the local preference to construction projects in relation to the "Green Book" standards for Public Works construction currently used by the City. These are strict rules on the methods of awarding contracts to the lowest responsible construction bidder. Upon a review and development of procedures, recommendations will be brought to the City Council by the first year's annual review of the local preference program.
- Do not apply the local preference to Technology and Library purchases due to these purchases being governed by Charter Sections 1801 and 1807.
- As advised by the City Attorney and included in the ballot language, do not apply the local preference to purchases funded by Tidelands funds, Grant funds, and State of California revenues.
- Establish an annual review process on the applicability and impact of the local preference that enables the City Council to review and make adjustments to the program as necessary.
- Request the City Attorney to prepare the required ordinance to make the findings necessary to implement a local preference program.
- Require that City departments support the above provisions and support the City's "Buy Long Beach" campaign as part of its Diversity Outreach Program.

To ensure public input on the above recommendations is thoroughly obtained, staff recommends that this matter be referred to the Economic Development and Finance Committee for further review and discussion.

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HONORABLE MAYOR AND CITY COUNCIL  
April 6, 2004  
Page 3

This matter was reviewed by Deputy City Attorney Donna F. Gwin on March 15, 2004 and by Budget Manager Michael Killebrew on March 18, 2004.

TIMING CONSIDERATIONS

City Council action on this item is not time critical.

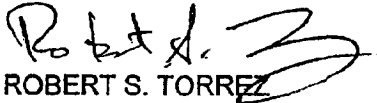
FISCAL IMPACT

Based on FY 03 purchases, it is estimated that applying a 2 percent up to a 5 percent preference to all purchases for equipment materials, supplies and non-professional services with a contract ceiling of \$100,000 could result in additional costs to the City ranging from \$14,042 to \$70,209 annually.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Refer this item to the Economic Development and Finance Committee for review and recommendations to the City Council.

Respectfully submitted,



ROBERT S. TORREZ  
DIRECTOR OF FINANCIAL MANAGEMENT

RST:DCG:dag

Attachment

APPROVED:

*for*   
GERALD R. MILLER  
CITY MANAGER