

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 9/8/04
Department Name: General Services
Department No.: 063
Agenda Date: 9/21/04
Placement: Departmental
Estimate Time: 20 minutes
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Ronald S. Cortez, Director, General Services

STAFF CONTACT: John H. McMillin, Purchasing Manager
X2693

SUBJECT: Local Vendor Outreach Report for Fiscal Years Ending June 30, 2003 and 2004

Recommendation(s):

That the Board set a hearing on September 21, 2004 (20 minutes) to consider the following recommendation:

1. Accept the annual report of the results of the Local Vendor Outreach Program

Alignment with Board Strategic Plan:

These recommendations are primarily aligned with Goals IV, A Community that is Economically Vital and Sustainable, and VI, A County Government that is Accessible, Open, and Citizen-Friendly.

Executive Summary and Discussion:

The Board of Supervisors established the Local Vendor Outreach Program in 1993 with the goal of increasing local participation in the County's procurement process. The program began with a number of seminars for local businesses designed to acquaint them with the processes and procedures and to reduce the "mystery" of what is sometimes a cumbersome process. The business community received these seminars very well.

The Program also required that the Purchasing Manager develop methods of tracking the amount of money spent with local business and report annually on the progress made in increasing the total. In 1997, a performance measure was adopted by the Purchasing Division with a goal that 60% of the County's non-construction procurement funds be spent locally. We are happy to say that, in fiscal year 02/03, for the third

year in a row, the goal has been reached, though just barely, with a percentage of 59.62% for the fiscal year. In the fiscal year just ended, however, the percentage slipped to 56%, the lowest in five years. This appears to be due to a slowdown in our own purchasing, combined with removal of some of our suppliers to locations in Ventura County.

To increase participation in the program, the Director of General Services and the Purchasing Manager suggest the creation of a “Local Vendor Advisory Committee” comprised of volunteer’s from the local business community. The purpose of the committee will be to assist the Purchasing Manager in developing techniques for improving the effectiveness of the Local Vendor Outreach program.

Acknowledgement:

The General Service’s Purchasing Division would like to thank the Board of Supervisors for their continued interest and support for the Local Vendor Outreach Program, the County Administrator and his staff for their suggestions and encouragement, and the Department Heads for encouraging their staff to recognize the importance of dealing locally whenever possible.

Mandates and Service Levels:

N/A

Fiscal and Facilities Impacts:

Local purchases increase the amount of sales tax revenue available to the County

Special Instructions:

N/A

Concurrence:

None

Attachment:

Local Vendor Outreach Annual Report

Local Vendor Outreach

Summary

This report will cover the fiscal years 02/03 and 03/04. The Local Vendor Outreach program met its FY 02/03 goal of 60% of purchases being awarded to local vendors. Of the total of \$136 million of discretionary, non-construction expenditures, 60%, or \$81 million, was spent locally. This was the third consecutive year the goal was met. FY 03/04, however, saw a slowdown in activity that maintained the previous year's level of spending, but reduced the percentage going to local vendors. Spending remained at \$136 million, but the total spent locally dropped to \$77 million, or 56%. The next several years, as well, will present unique challenges as we strive to continue spending locally. A reconsideration of our strategy, with increased citizen/vendor participation, is recommended as a method of improving performance in this area.

Objectives of the Program

First and foremost, we want to increase the amount of goods and services purchased from local vendors. In order to do this we need to assist our vendors in doing business with the County. This is accomplished by:

1. Educating local vendors on our policies, procedures and forms
2. Notifying them of performance, insurance and invoicing requirements
3. Increasing their awareness of our needs for services and supplies

At the same time we want to be sure that we continue to obtain quality commodities and services at the best price available. By doing so, we will implement two of the County's strategic Goals, (IV) Implementing strategies for Economic Vitality and Sustainable Growth and (VI) Making the County Government Citizen-Friendly.

Challenges

With all of our efforts, however, we face a number of challenges meeting our goals.

1. Our most common problem is, as a small to medium size market, there are many items that simply are not available within the boundaries of Santa Barbara County.
2. Some local business find it difficult to expend their operations in the local area and relocate North or South in order to find suitable space at a price they can afford. A few years ago, one of our major vendors, Business Mailing Center, relocated to Oxnard. More recently, one of our largest vendors, Compuwave, was found to no longer be licensed in this county.

While we counted them as a local vendor last year, we will no longer be able to include them. Compuwave sold us nearly \$4 million worth of personal computers in FY 02/03 and \$2.4 million last year. Not being able to count this vendor will make it much more difficult to maintain the past level of local expenditures. As a result of a recent bid, we will be adding a new local vendor, GovPlace. They and Compuwave will supply us with personal computers for the next several years.

3. There are also some vendors that are not interested in selling at the low margins that result from competitive bidding. With the weakening economy, however, I have noted a change in this attitude. Our 2002/2003 automobile bid elicited bids from five local dealers, where we had been lucky if we could award to even *one* local dealer in the past. The problem with automobile purchases is, due to financial problems, we made no large purchase last year and we do not plan to this year either, further reducing the dollars spent with local vendors.
4. There are also limits to the amount of staff time and money available to conduct affirmative outreach programs while trying to simply process the large number of orders that pass through our department. Purchasing's staff of 4 buyers was reduced to three last year. Two years ago we processed 2,248 requisitions totaling \$70.7 million. In FY 00/01 we processed 2,155 requisitions totaling \$67.5 million.
5. The County also has limited discretion in many purchasing matters. With public projects, for example, there are specific Codes keeping us from accepting any but the low bidder. Even with items for which there are no specific prohibitions, our fiduciary responsibility to the taxpayers of the County requires us to have good supportable reasons for accepting a higher bid. One of the major points of our outreach program is to encourage the local vendors to sharpen their pencils and give us a competitive bid. Many of them have succeeded admirably, both in price, and in value added from being local.

The Results of Our Efforts

To prepare this report, the data in the auditor's Financial System was adjusted to remove all items not related to discretionary vendor transactions such as the payroll, large construction contracts, expenditures made under the department heads' authority (under \$1,000) and refunds of bail or tax overpayments. The remaining \$136 million represents discretionary monies spent with vendors or individuals who provide goods and services to the County. This data was then sorted by zip code. A third look at the data was done to identify vendors that do business within the County but which require their payments to go out-of-County. This group involves diverse businesses such as Safeway stores, Orchard Supply Company, or even Santa Barbara Cottage Hospital. Even though the warrants

go out of the County, these businesses are considered local because of their local physical plants and local employees.

Of the total expenditure, \$80.9 million, or 60%* of the total, was spent with local vendors in fiscal year 02/03.

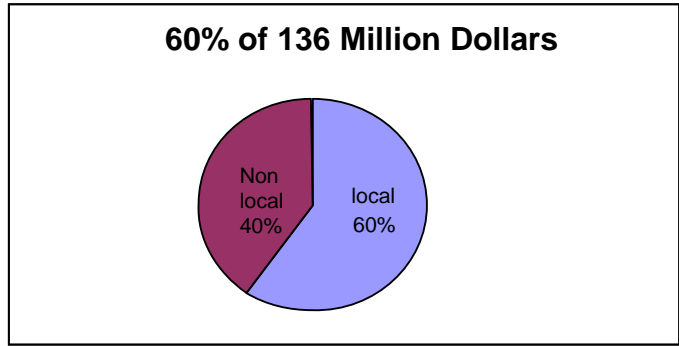
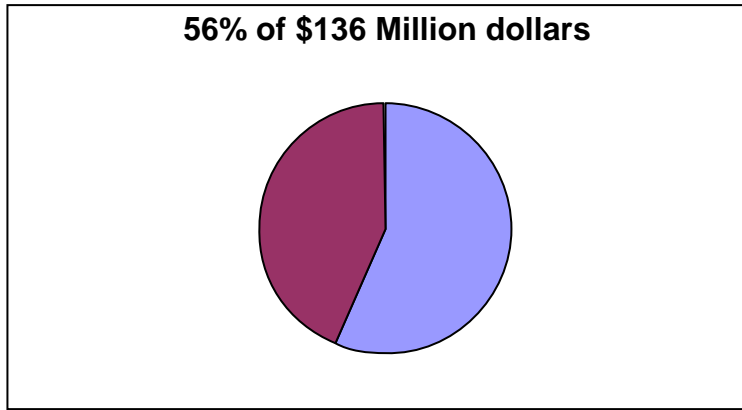


Figure 1

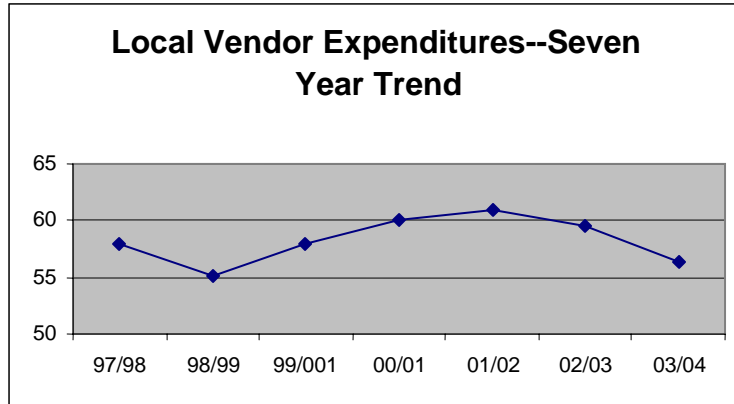
*The exact number is 59.62%

In Fiscal Year 03/04, local expenditures were reduced to 56% of a similar total expenditure of \$136 million.



Seven-Year Trend

Over the last six years, our local expenditures for Purchasing and Board Contracts have fluctuated between the 55%-61% range, with the number gradually moving towards our stated goal of 60%, with a downturn in the most recent fiscal year, as shown in the graph below.



Where Do We Go From Here?

In order to continue to succeed in attracting local vendors, we need to reconsider the efforts that have succeeded for several years, but now seem to be falling short.

1. We will use the local chamber of commerce in each area to get educational materials out to vendors and to encourage new members to look to the County as a customer.
2. We are continuing with our "Doing Business with the County" Seminars.
3. The County Administrator's office will continue to require explanations from departments that submit Board Contracts or Sole-source waivers for Out of County vendors.
4. Purchasing will continue its efforts to be user friendly. Our bid documents have been re-written to eliminate a lot of the legalese and documentation requirements that make it difficult for small business to understand and comply with them. We are making more use of Internet technology and electronic means of publishing our bids to increase participation.
5. We recommend that a Local Vendor Outreach Advisory Committee, consisting of volunteers from the local business community, be formed to advise the Purchasing Manager, and to develop a strategy and performance measures that are aimed at increasing the amount of business the County does with Local Vendors.

High Dollar Vendors

The attached appendices are lists of the major local vendors for both the Purchasing Division and for contracts signed by Your Board. The first list is the top 10 vendors, by dollar volume, for fiscal year 02/03, on purchasing contracts. On the second list are the top ten vendors on contracts signed by Your Board. The first dollar figure next to each vendor is the FY 02/03 expenditure. The second number (in parentheses), is the expenditure for the current fiscal year. You will note that, in many cases, this year's figure is considerably less than last year's figure. This indicates that, if the present trend continues, these local vendors will receive considerably less revenue from the County than they did last year which helped us to fall short of our overall goal of 60%. Many of these vendors you will recognize as local non-profits that have recently approached your board about their revenues.

Because of the large number of construction contracts that local contractors were engaged in last year, an Appendix III is included to show the amount spent with them, as well

The Goal

In order to focus our activities and to provide a measure of success in our program, good management technique requires that we have a goal. As you have seen, we have reached the Goal of 60% of our expenditures going to local business. We have also seen that it is not possible to spend EVERYTHING locally because of legal, fiduciary, and availability requirements, but we have shown that it is possible to reach the level of six out of every 10 dollars of County Service and Supply expenditures (except for public projects) going to Local Vendors. We have reached this goal in each of three past fiscal years, but the most recent year fell short. With the softening economy and the looming cutbacks in state funds, it will be difficult to maintain the current level for this year, since so much of the local expenditure involves discretionary funds. Even so, I am going to continue with the stated goal from last year of 60%. We will always remember that our local businesses are the mainstay of our economic viability and that they deserve our active support.

If you have any questions regarding the Local Vendor Outreach Program or County Purchasing in general, I am always ready to discuss them with you.

Appendix 1

Top Ten Local Vendors on Purchasing Contracts for FY 2002/2003

CompuWave-- \$3,473,083: (\$2,361,983) supplies the majority of our personal computers. This contract has been in place for a number of years and was rebid this year. They are no longer a local vendor.

Quinn Company-- \$1,234,408: (\$1,804,769) is the Santa Maria supplier of Caterpillar equipment.

Tri County Office Furniture-- \$838,547: (\$1,021,757) supplies modular furniture and seating

Corporate Express-- \$821,574: (\$933,530) This nationwide company with offices in Carpinteria provides desktop delivery of all our office supplies throughout the County.

Iverson Motor Company-- \$699,119: (\$39,705) this local car dealer was awarded our main sedan order two years ago. Last year we bought only a few cars, none from Iverson. These costs were for repair parts and services. Expenditures with other car dealers follow the same pattern.

GE Capital (Coastal Copy) -- \$656,616: (\$787,746) won the bid to provide office copiers throughout the County. The last full year that our previous supplier had the contract, the cost was \$1,002,065. The County has more and faster copiers at a savings of \$300,000.

The Pacific Pride Foundation-- \$514,914: (\$636,015) Provides a number of services to the Public Health Department, the Alcohol, Drug, and Mental Health Department, the Human Services Department and the Arts Commission.

Santa Maria Valley Youth and Family Center-- \$490,935: (\$1,273,326) Various supportive services for youth.

CALM-- \$471,933: (\$970,961) – Provides services to assist abused children in the county.

Cushman Contracting-- \$465,993: (\$194,739) Contracting.

FY 02/03 total: **\$9,667,122** FY 03/04 annualized estimate: **\$10,024,531**

Appendix II

Board Contracts

Your Board signs contracts for services in excess of \$100,000. Below are your top ten in county vendors. The user departments are noted next to each vendor.

Your Board's top ten local vendors

1. **Telecare Corporation--\$4,330,488 : (\$3,169,706)** (AD&MH)
2. **Addus HealthCare Inc--\$4,139,318 (\$2,934,805)**(DSS)
3. **Prison Health Services, Inc.—\$3,916,736 (\$2,420,834)** (Sheriff)
4. **Union Asphalt--\$3,029,687 (\$257,358)** (Public Works)
5. **Santa Barbara Cottage Hospital--\$2,977,308 (2,635,252)** (PH, MH)
6. **Community Action Commission--\$2,854,575 (\$2,594,276)** (Probation, MH)
7. **S.B. Council on Alcoholism--\$2,680,425 (\$1,930,048)** (Probation, MH)
8. **Work Training Program--\$2,151,819 (\$2,224,089)**(DSS-WRC)
9. **AEGIS Medical Systems--\$1,654,991 (\$1,234,236)** (AS&MH)
10. **Santa Barbara Mental Health Assn.--\$1,411,990 (\$707,738)** (MH)

FY 02/03 totals: **\$26,374,008** FY 03/04: **\$20,108,342**

Appendix III

Construction

Construction contracts are usually not included in Local Vendor Outreach presentations because the Public Contract Code allows for no discession at all in the selection of a contractor for a public project. We have included them this year because a number of local vendors have large projects at the present time. The money spent of these contracts makes a significant contribution to the local economy.

Your Board's top contractors

1.	Granite Construction--	\$3,463,816
2.	Frank Schipper Construction--	\$1,942,878
3.	Lash Construction--	\$ 670,791
4.	Carroll Construction—	\$2,284,754
5.	A.J. Diani --	\$9,487,980
