

Local Vendor Outreach Program Update

County of Santa Barbara

Program Objectives, Goals and Key Components

- **Objective:** Increase the amount of goods and services that the County purchases from local vendors.
- **Goal:** Current goal is to spend 60% of discretionary expenditures with local vendors.
- **Components:**
 - 1) Local Vendor Outreach (LVO)
 - 2) 6% Preference

Definition of Local Vendor

DEFINITION OF A LOCAL VENDOR

A Local Vendor is defined as a business that is 50% owned by one or more persons whose legal domicile has been located within the County for at least six months prior to the issuance of the request for competitive bids for the County
OR:

A Local Vendor that meets all of the following criteria for a minimum of six months prior to the issuance of the request for competitive bids for the County:

1. Vendor owns, leases, rents or otherwise occupies a fixed office or other commercial building, or portion thereof, having a street address within the County of Santa Barbara, ("the County"). Post Office Boxes shall not qualify as local business addresses.
2. Vendor possesses a valid and verifiable business license, if required, issued by a city within the County, or by the County when the address is located in the unincorporated areas of the County. The Vendor's address on the business license must match the street address as in Section (1) above.
3. Where state sales tax will be paid for the purchase, Vendor must possess a valid resale license from the State Franchise Tax Board showing vendor's local address matching the street address as is Section (1) above.
4. The building referred to in section (1), above, shall:
 - Have running water and restroom facilities
 - Have electrical service, gas service, or both.
 - Have a telephone, or telephones, listed publicly in the Vendor's name.
 - Be staffed during business hours by at least one full time employee of the Vendor who conducts the local business of the Vendor. An independent contractor, a person employed as "temporary labor", or a person employed or "shared" with another entity shall not constitute an "employee" for purposes of compliance with this policy.
 - Be open and accessible by the general public during business hours
 - Contain the current local business records of Vendor.

County Purchasing Thresholds

- Departments: Goods and services of less than \$1k
- Purchasing:
 - All tangible goods over \$1k (purchase orders)
 - Professional services to \$100k.
 - Public projects less than \$175k
- Your Board:
 - Professional services greater than \$100k
 - Public projects greater than \$175k

What is the Local Vendor Outreach Component?

- Staff reach out to local vendors by telephone or in person to make them aware of the types of products and services that the County typically purchases and show them how they can participate in selling these items to the County.
- Staff maintain memberships in local area Chambers of Commerce (Santa Barbara, Santa Maria Goleta Valley and Lompoc) to stay informed about vendor events.
- Staff inform County departments about the Local Vendor Outreach Program and the importance of considering local vendors when spending County funds.
- Staff schedule outreach workshops and participate in vendor expos.

What is the Local Vendor Preference Component?

- The Preference component is the 6% bid advantage provided to local vendors when they respond to **formal bids** issued by Purchasing (tangible items over \$25k in value).
- This preference is an attempt to increase local vendor participation rates and level the playing field in situations where non-local vendors can survive on lower margins because they have lower overhead costs (like rent or ownership costs).

Limited Impact of 6% Local Vendor Preference

Local Preference does not apply for bid situations noted below:

- No local bid is received.
- The local vendor submits the lowest bid .
- The local vendor was not aware of the bid.
- The margin of difference between the non-local low bid and the local low bid is greater than 6% (doesn't change the outcome).
- Bidding of a public project (or a project using a federal funding source) and the law prohibits it.

Actual Local Vendor Preference Cost Last Three Years

- Occurred on five (5) formal bids in 2014 on vehicle purchases. The total cost of the preference for these five purchases was \$15,150.
- Occurred on one (1) formal bid in 2013 on the purchase of computer equipment and cost the County \$4260.
- Occurred on one (1) formal bid in 2012 on our annual fleet vehicle bid and cost \$4,637.
- Purchasing processes an average of between 25-35 formal bids per year (not that frequent in occurrence).
- When the 6% preference was adopted in 2005, it was stated that “additional costs associated with the price preference will vary, depending on what bids are received, but are expected to be less than \$10,000 per year” and this has been accurate until 2014 when that amount was exceeded.

Other Estimated Program Costs

- Gathering and analyzing the LVO data with antiquated procurement software is approximately \$2500 in labor per year.
- Time spent on outreach efforts is approximately \$3000 in labor per year.
- Cost to maintain local Chamber of Commerce memberships is approximately \$1800 per year.

Total estimated costs is \$7300 per year.

Program Expansion Challenges

- Some items are not available locally.
- Local vendors have relatively high overhead costs compared to other regions where it may be less expensive to operate
- There is no preference consideration on professional service contracts
- The preference cannot be applied to public project bidding or situations where federal funding is used.

Program Expansion Efforts

- Continue efforts in the County through the use of workshops and other types of outreach activities.
- Analyze and target key commodities and local vendors.
- Continue to educate departments on the importance of considering local vendors.
- Consider local vendors for every expenditure decision.

Program Improvement Ideas

- A position for a permanent purchasing manager was approved for the 2014-15 and subsequent budget years which will allow for increased outreach efforts and improved compliance monitoring.
- Funds were approved in the 2014-15 County budget for the acquisition of new purchasing software which should have increased capabilities for reporting and analysis.
- Increase budget for outreach efforts.

The Program is Successful

- We exceeded the program goal in 2014 by spending 62% of discretionary expenditures with local vendors:
- Diversified local vendor base
- Continued outreach efforts
- Due to Board and County Departmental efforts

CONCLUSION

- The Local Vendor Outreach Program has two key components: Outreach and Preference.
- There are challenges and potential costs towards further increasing local vendor participation rates.
- We will continue our efforts to expand the program.
- We recommend maintaining the goal at 60% until additional data indicates that higher trending can be sustained
- Questions?

To Contact County Purchasing:

- Phone: 568-2690
- Fax: 568-2705
- On the web:
countyofsb.org/gs/purchasing.sbc
- We encourage local vendors to contact us.