BOARD OF SUPERVISORS
AGENDA LETTER

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

Agenda Number:

Department Name:	General Services
Department No.:	063
For Agenda Of:	January 29, 2019
Placement:	Administrative
Estimated Time:	N/A
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO:	Board of Supervisors	
FROM:	General Services	Janette D. Pell, Director, (805) 560-1011
	Contact Info:	Joseph D. Toney, Assistant Director, (805) 568-2678
SUBJECT:	**Local Vendor Preference Policy Update, All Districts**	

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: Yes

Other Concurrence: Risk Management
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

a) Approve the recommended update to the Local Vendor Preference policy that authorizes the Chief Procurement Officer (Purchasing Manager) to allow the lowest bidding local vendor that bid within 6% of the lowest, non-local bidder the opportunity to match the lowest bid; and

b) Determine that the above recommended actions do not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the actions are the creation of a governmental funding mechanism or other government fiscal activity, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

As part of the County's Renew 2022 initiative to transform and improve services, the General Services Department explored the existing Local Vendor Preference policy. Currently, a local vendor can have a bid that is 6% higher than a non-local vendor. The Chief Procurement Officer is authorized to provide a 6% local vendor preference for all bids for tangible goods (formal bids on tangible goods required over $25,000). While the preference has been seldom used in recent years, it is unknown how many missed opportunities occurred due to the disincentive for a non-local vendor to offer a bid based on the lack of competitive ability to beat a 6% margin. The recommended policy change set forth today will not remove the preference towards local businesses, but will change the application of the policy to allow for more market competition. The ultimate goal is two-fold, continue to stimulate local business and to maximize use of public funding by ensuring the best value of acquired goods is achieved.

Background:

Beginning in 1994, the County's Purchasing Division of General Services implemented an informal 1.5% preference for local vendors applied to bids on tangible goods. In 2005, the Board of Supervisors (Board) formalized the definition of a local vendor and also provided a directive authorizing the Purchasing Manager to provide a 6% local vendor preference. At that time, input from a committee of local businesses was for a 5% preference, but the Board chose a 6% preference for increased support to local businesses.

The "Local Vendor" definition criteria is as follows:

1. Occupy an actual business facility whose address is within the County.
2. Hold a valid business license as issued within the County and the address matches that of their local facility.
3. Hold a valid resale license (where sales tax will be applied to the purchase) as issued from the State Franchise Tax Board and the address matches that of their local facility.
4. They staff their local facility with employees during normal business hours, they have standard business utility services and the office is fully operational.

Over the years, there has been feedback received from external vendors notifying the County that they did not submit quotes based on the 6% requirement because their profit margin was less than 6%. Quantifying how many times a bid was not received due to the preference is not possible since there is no way to track businesses that did not submit bids or quotes. The number of times the preference is used will be tracked subsequent to the policy modification. The most likely area of impact will be in bids involving such goods as vehicles and heavy equipment where margins are small and no external bids have historically been received.

The recommended change will allow for more competition and the potential for savings to the County. Furthermore, there is the possibility for acquisition of higher quality products and goods due to a larger pool of providers and products being bid. It is anticipated that there will be an increase in bid replies but it is not clear what the ultimate volume will be. The policy change should have minimal impact on the Purchasing Division and outlying departments since there is already a practice in place.

The County also has a performance goal that 60% of funds spent annually in the County be with local vendors for services and supplies. The County has attained that goal for the past six years. In FY 2017-18, an estimated $87 million of $146 million, or 60%, was the total spend in these categories. Of the $146 million, an estimated $40 million is spent on tangible goods, of which an estimated $13 million is local. The Local Vendor Preference policy modification is not anticipated to significantly impact the local spend, thus still maintaining support for local businesses.

Updated Process:

On any bid for a tangible good, if the lowest bid is non-local and a local vendor's bid is within 6%, then the lowest local vendor bid will be given the opportunity to match the lowest overall bid. Once this scenario has been identified, both the lowest non-local and local bidders will be notified. The local bidder will be given 72 business hours to match. If the local vendor is able to match the lowest bid then that local business will be awarded the contract.

This is the same policy used in Solano and Kern counties. This change will ensure the County is receiving the lowest cost whereas the current policy is conceivably costing the county an additional 6% on tangible items.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Narrative: There will be no incremental costs associated with the policy change. Current operations will not change, only the application of how the policy is administered.

Authored by:

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cc:
Brandon Davis, Chief Procurement Officer, General Services