

LOCAL PREFERENCE POLICY



Why a Local Preference Policy?

- Encourages the City to “Shop Local”
- Encourages local vendor participation in the City’s purchasing process
- Promotes economic health of the City and community
- Helps keep sales tax within the local economy
- Increases productivity of taxpayer funds
- Good neighbor policy

Local Preference Policy Overview

Requires Council to Approve an Ordinance

- City Council must make findings declaring local businesses are at a competitive disadvantage with outside business
- “Local Business” definition
 - Established place of business within the City limits
 - Business license for the past 12 months
 - Not delinquent to the City in any payments
 - No active code enforcement or planning actions
- Applies to specific types of purchasing
- A part of City’s Purchasing Policy - *currently being updated*

How the Preference Works

Formal Bid Procedure-w/out Local Preference			
Business Type	Bid Amount		Cost to the City
Non-Local	\$15,000		
Local	\$14,500		
Non-Local	\$14,000	Lowest bidder	\$14,000

With Local Preference			
Business Type	Bid Amount	5% Preference	Cost to the City
Non-Local	\$15,000		
Non-Local	14,000		
Local	\$14,500	\$13,775	\$14,500

Bid price reduced by 5%
-\$725

Types of Purchasing				
	Public Projects (California-Public Contracts Code)	Professional Services (Novato Municipal Code)	Goods/Supplies (Novato Municipal Code)	General Services (Novato Municipal Code)
Examples	Facility construction and repair and improvements, street construction	Planning, Human Resources, Architecture studies	Vehicles, furniture, office materials, paper, uniforms, tools, police gear	Minor routine maintenance: repainting, landscaping, printing
Current Purchasing Policy				
>\$45,000	Lowest bidder; Formal and Informal bids	Best qualified vendor; no formal bid process required Use Request for Proposal Process on larger service projects	>\$15,000-Lowest Bidder formal contract procedures	
\$45,000-\$5,000	Work may be performed by public agency employees; negotiated contract; purchase order; no bids required City of Novato practice: Lowest Bidder (min. three bids)		<\$15,000-informal pricing procedures (no bids required)	
<\$5,000	Award to vendor who can provide best service		Award to vendor who can provide best service	

Exemptions under Local Preference

Mandatory Legal Exemption

- Capital Projects under Public Contracting Code

Typical / Proposed Exemptions

- Professional Services
- Purchases under \$5,000
- Emergency purchases
- Sole source purchases
- Purchases funded by outside agencies that prohibit the use of preferences (grant funding)
- Where no bids have been received by the City following bid announcements
- Specialized services combined with equipment and/or products

Types of Purchasing

	Public Projects (California-Public Contracts Code)	Professional Services (Novato Municipal Code)	Goods/Supplies (Novato Municipal Code)	General Services (Novato Municipal Code)
Examples	Facility construction and repair and improvements, street construction	Engineering, Planning, Human Resources, Architecture studies	Vehicles, furniture, office materials, paper, uniforms, tools, police gear	Minor routine maintenance: repainting, landscaping, paving, printing
Current Purchasing Policy				
>\$45,000	Lowest bidder; Formal and Informal bids	Best qualified vendor; no formal bid process required Use Request for Proposal Process on larger service projects	<div style="color: red; font-size: 2em; transform: rotate(-45deg); display: inline-block;">5% Local Preference</div> >\$15,000-Lowest Bidder formal contract procedures	
\$45,000-\$5,000	Work may be performed by public agency employees; negotiated contract; purchase order; no bids required City of Novato practice: Lowest Bidder (min. three bids)			
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Professional Services Exemption

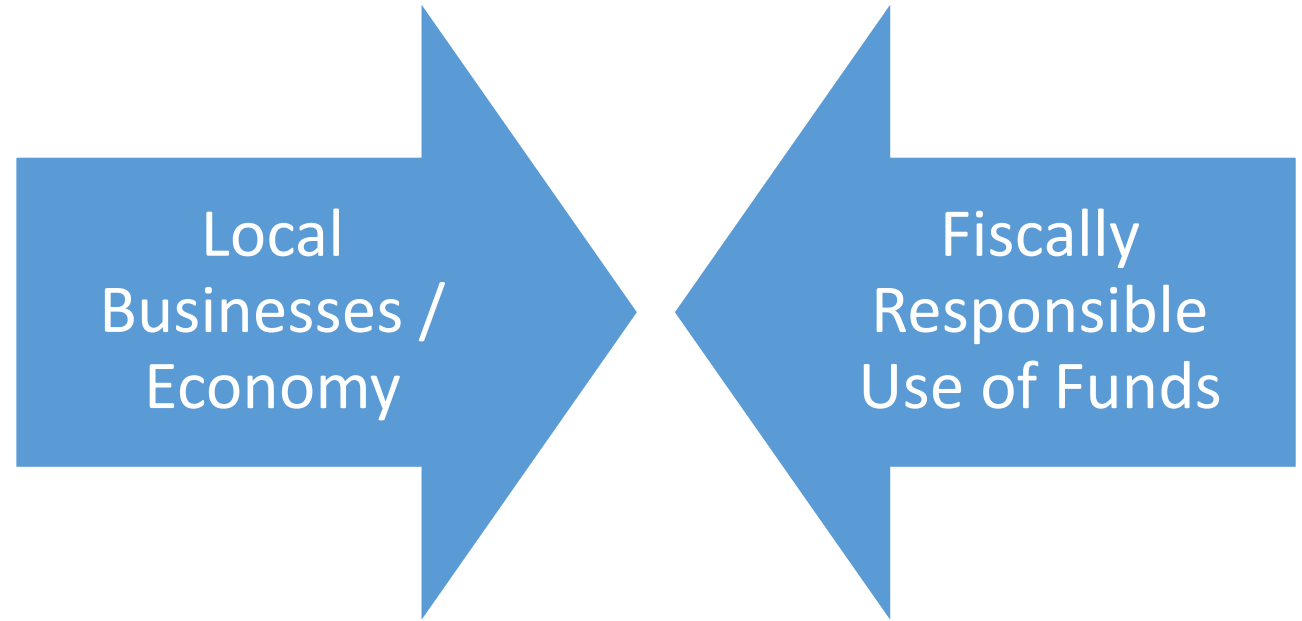
- Selection based on best-qualified vendor-not solely on price
- Consider adding language to ordinance:

“If the City Manager finds a local professional services vendor is equally responsive in meeting the needs of the City, including, but not limited to, price, qualifications, character, responsibility and fitness, he/she may give preference to a local professional services vendor. “

Policy Tensions

Advantages

- Keeps dollars and jobs local
- Keeps sales tax local
- Builds relationships with local vendors
- Shorter delivery times and distances; better for the environment and efficient for staff time
- Vendor's familiarity with community
- Sends positive message to local community



Disadvantages

- May result in higher costs to the City
- Less impartial process; limits selection on best/lowest price

Public Outreach/Council

- Measure F Oversight/Finance Committee - Nov 20
- Chamber of Commerce-Government Affairs Committee-Dec 2
- Economic Development Advisory Committee (EDAC)-Dec 2

- City Council Review and Timeline if Approved
 - Ordinance - First Reading – Jan 13
 - Ordinance – Second Reading – Jan 27
 - Effective-February 27

Requested Actions This Evening

- Make findings declaring local businesses are at a competitive disadvantage
- Consider Professional Services Exemption language to ordinance

“if the City Manager finds a local professional services vendor is equally responsive in meeting the needs of the City, including, but not limited to, price, qualifications, character, responsibility and fitness, he/she may give preference to a local professional services vendor.”
- By vote, introduce ordinance with modifications