

Audit and Accountability Committee



Staff Briefing on Changes to the Local Preference Program (LPP)

Date: September 21, 2022

Presented by: Troy Elliott, Deputy Chief Financial Officer, Finance
Department

Local Preference Program

Purpose:

To use the City's spending powers to promote fiscal responsibility and maximize the amount of resident tax dollars that remain in the local economy for the benefit of its citizens by utilizing all available legal opportunities to contract with city businesses.

Background



- Ordinance effective May 1, 2013
 - Businesses located within San Antonio city limits
 - Up to 3% price preference for low bid contracts
 - Preference points for certain discretionary contracts
 - 10 points - local bidders headquartered in San Antonio for one year or more or;
 - 5 points – bidders with at least 20% of employees based in City or with minimum of 100 employees in incorporated limits of City for one year or more
- Ordinance revised December 2013 & November 2014
 - Goods and non-professional services when price is the basis for award
 - Added concession & revenue contracts
 - Applies to for-profit City business
 - Headquartered in incorporated limits of the City for one year or more
 - Expanded application to joint ventures
- Self certification with validation

State Statute – Low Bid Solicitations

- **State Statute** allows up to a 5% price preference for low bid contracts
 - Goods: less than \$500K (5% preference)
 - Goods: in any amount (3% preference)
 - Non-Professional Services: less than \$500K (5% preference)
 - Construction Services: less than \$100K (5% preference)

Low Bid Award Example

Non-Discretionary Solicitation (Low-Bid)				
	Local Business	Non-Local Business	Price Variance	% Variance
Scenario 1	\$1,100	\$1,000	10%	>3%
Scenario 2	\$1,530	\$1,500	2%	<3%

Recommendation

Increase Price Preference

GOODS

Current City Ordinance

\$50K

3%

Recommendation

\$50K

\$500K

5%

3%

Threshold defined by statute

Recommendation

Increase Price Preference

NON-PROFESSIONAL SERVICES

Current City Ordinance

\$50K

\$500K

3%

N/A

Recommendation

\$50K

\$500K

5%

N/A

Threshold defined by statute

Recommendation

Increase Price Preference

CONSTRUCTION SERVICES

Current City Ordinance

\$50K

\$100K



Recommendation

\$50K

\$100K



Threshold defined by statute

Local Preference Program

FY 2021 Stats

Solicitation Type	Local	Estimated Amount	% Spend	Non-Local	Estimated Amount	% Spend	Total
Goods & Non-Professional Services ¹	82*	\$92.4M	37%	118	\$154.6M	63%	\$247.0M
Professional Services ²	112	\$44.1M	65%	22	\$24.3M	35%	\$68.4M
Construction	53	\$183.6M	66%	28	\$93.5M	34%	\$277.1M
Architectural & Engineering	32	\$11.6M	57%	22	\$8.8M	43%	\$20.4M
Total:	279	\$331.7M	54%	190	\$281.2M	46%	\$612.9M

¹ 5 of the 82 local contracts were awarded due to application of the Local Preference Program in the amount of \$13.2M resulting in an additional cost of \$54,158.

² 12 of the 112 local contracts were awarded due to the application of the Local Preference Program in the amount of \$7.2M.

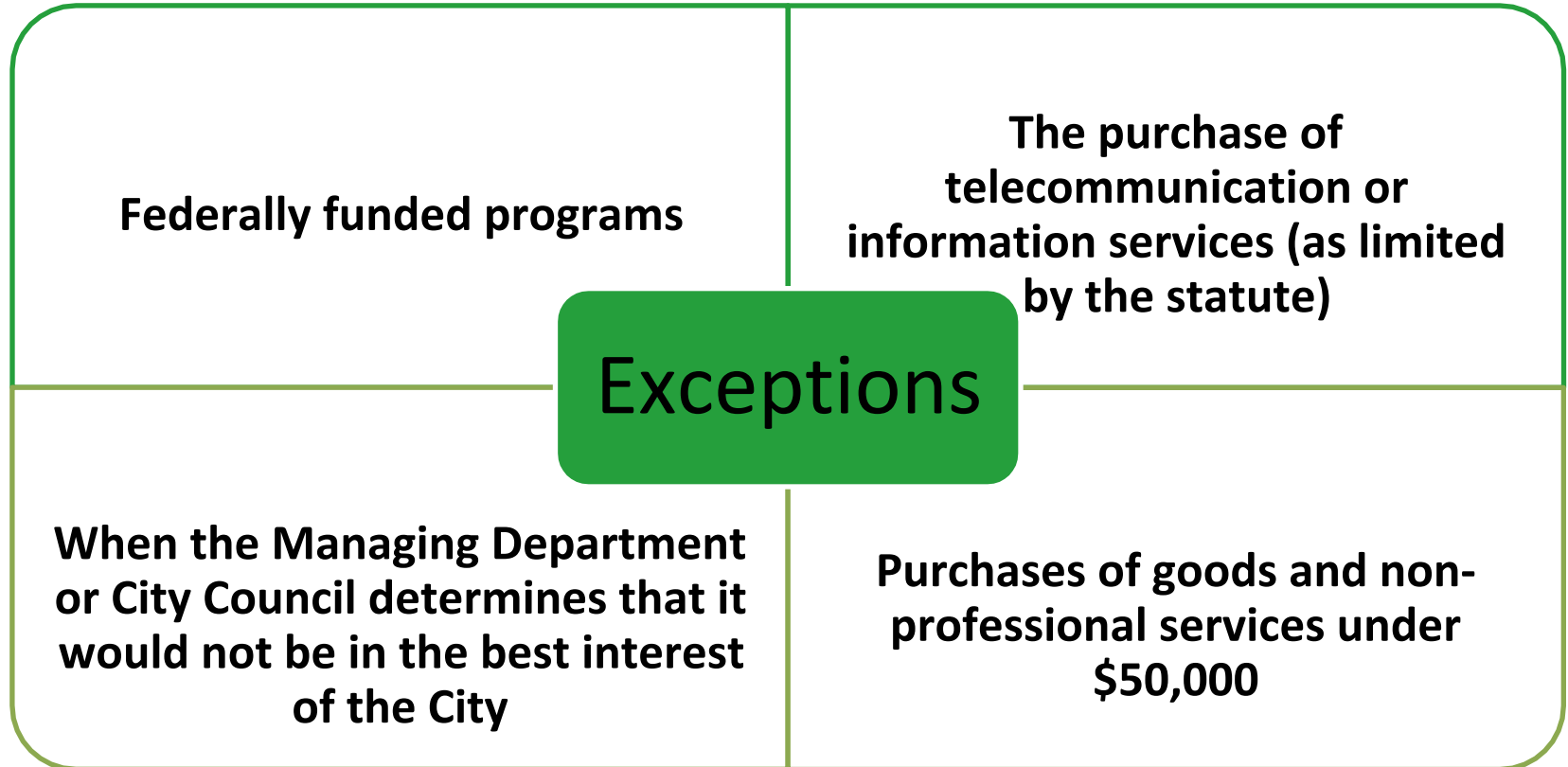
* For Local Preference Program application, local is determined based on vendor's address for Goods and Non-professional Services over \$50K.

Local Preference Program

FY 21 Cost Impact

Fiscal Year	3%		5%	
	LPP Award Value	Additional Cost	LPP Award Value	Additional Cost
FY 2021	\$13.2M	\$54,158	\$13.8M	\$24,331

Local Preference Program



Federally Funded Contracts

- Current Ordinance excludes the application of a Local Preference to contracts funded in whole or in part by the federal government or where the City acts as a conduit for federal money
- Recently Federal Funded Programs have begun to allow the application of a Local Preference
- Amending the current ordinance to allow for application to federal grants would provide more flexibility

Summary

Increase Local Preference from 3% to 5% to align with state statute for low bid contracts

Allow application of the Local Preference Program to federally funded Contracts where applicable

Council Approval

Audit and Accountability Committee



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