



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

Agenda Item #41

Date: December 15, 2022

Presented by: Troy Elliott, Deputy Chief Financial Officer

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 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
 - Defined application to for-profit City businesses
 - Headquartered in incorporated limits of the City for one year or more
 - Expanded application to joint ventures
 - Self certification with validation

Background

- **September 21, 2022** – Audit & Accountability Briefing
- **October 18, 2022** – “B” Session Briefing
- **November 18, 2022** - Communication with Chambers and Specific Stakeholder Groups
- **November 29, 2022** – Briefing to Small Business Committee
- **December 15, 2022** – “A” Session –Recommendation and approval by City Council

State Statute – Low Bid Solicitations

- **State Statute** allows up to a 5% price preference for low bid contracts
 - **Goods:** less than \$500K (5% preference) or 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

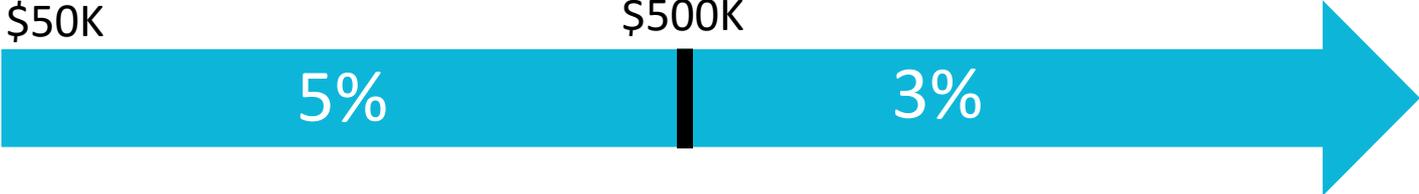


3%

Recommendation

\$50K

\$500K



5%

3%

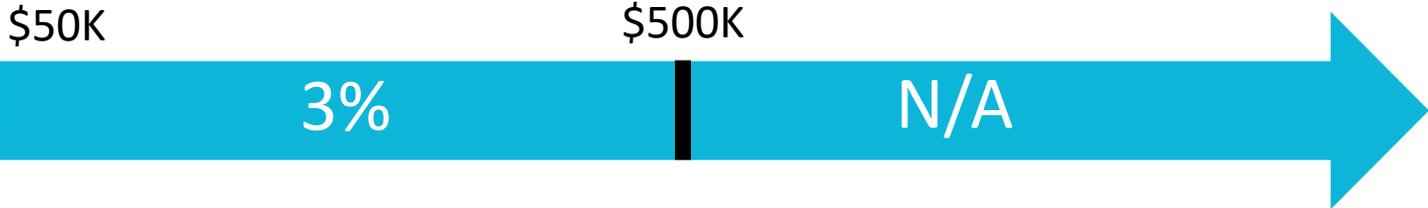
Threshold defined by statute

Recommendation

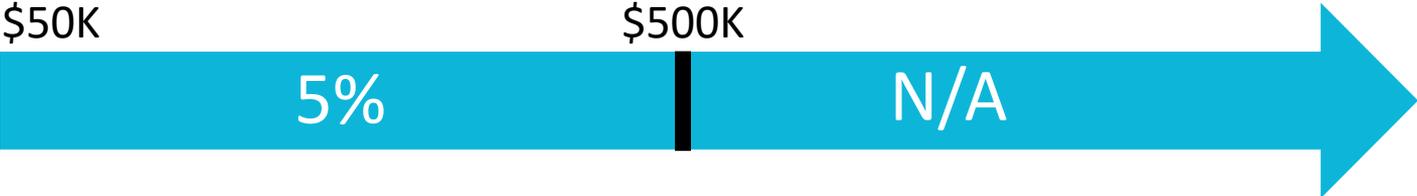
Increase Price Preference

NON-PROFESSIONAL SERVICES

Current City Ordinance



Recommendation



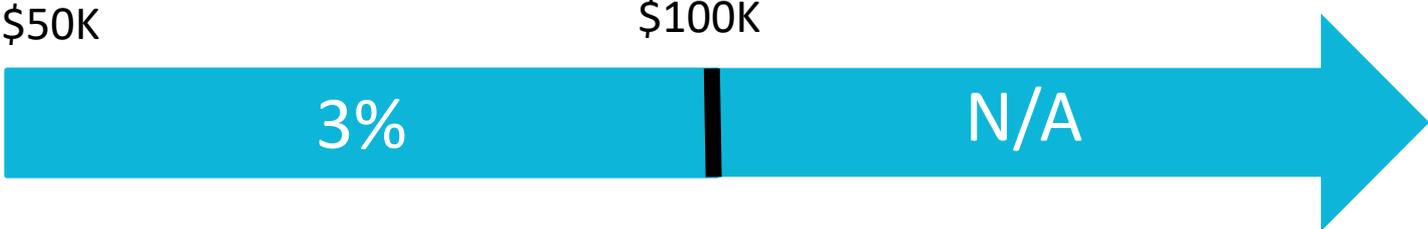
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Recommendation

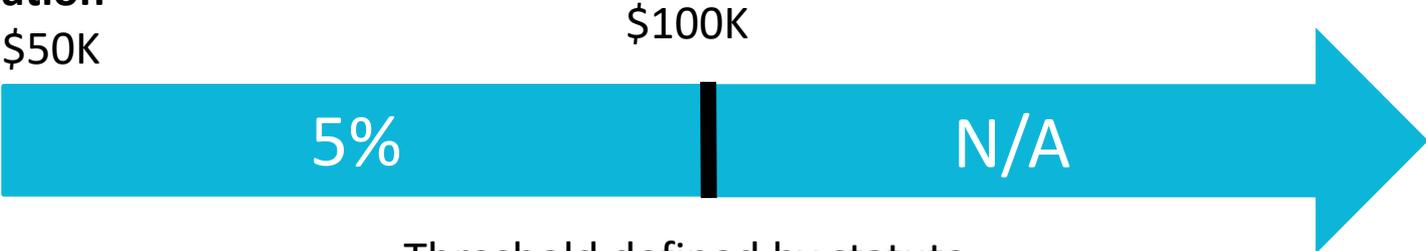
Increase Price Preference

CONSTRUCTION SERVICES

Current City Ordinance

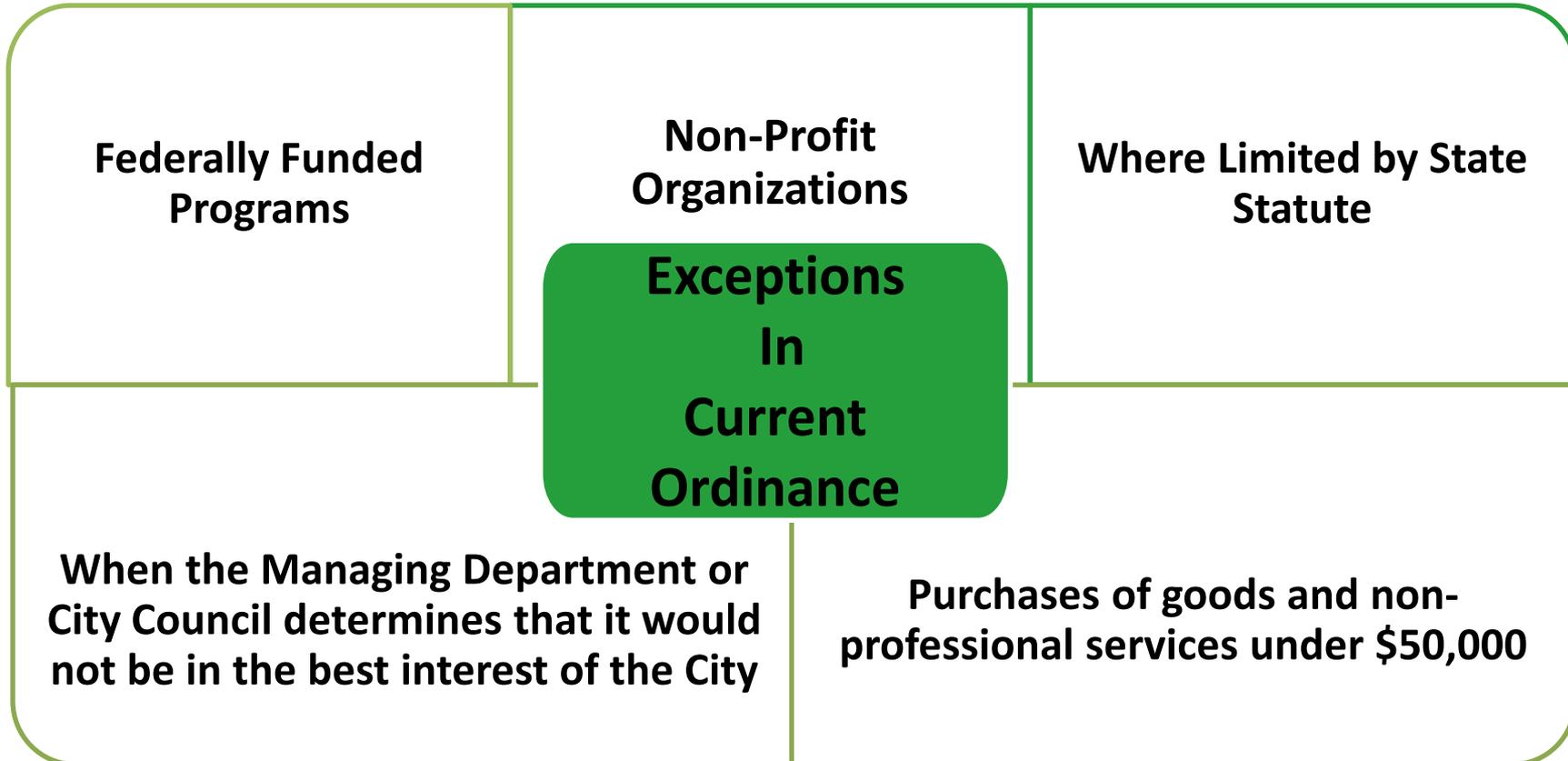


Recommendation



Threshold defined by statute

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

Non-profit Organizations

- In 2014, consultant reviewed preference programs and recommended removal of a local preference for non-profit organizations
- Current application of the Local Preference Program aligns with SBEDA program
- Recommend amending the Local Preference ordinance to be applicable to non-profits
 - Applicable to both Low Bid and Discretionary (where not restricted by statute)

Local Preference Program

FY 2022 Stats

Solicitation Type	Local	Estimated Amount	% Spend	Non-Local	Estimated Amount	% Spend	Total
Goods & Non-Professional Services ¹	68*	\$59.5M	27%	132	\$157.7M	73%	\$217.2M
Professional Services ²	46	\$250.9M	58%	30	\$180.7M	42%	\$431.6M
Construction	44	\$174.4M	76%	14	\$55.5M	24%	\$229.9M
Architectural & Engineering	10	\$67.8M	72%	6	\$26.9M	28%	\$94.7M
Total:	168	\$552.6M	57%	182	\$420.8M	43%	\$973.4M

¹ 2 of the 68 local contracts were awarded due to application of the Local Preference Program in the amount of \$1.2M resulting in an additional cost of \$17,157.

² 6 of the 46 local contracts were awarded due to the application of the Local Preference Program in the amount of \$26.2M.

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

Local Preference Program

Current Low Bid Contracts

3%

- Fleet and Equipment
- Janitorial Services

Additional Low Bid Opportunities

5%/Non-Profits

- Medical Supplies
- Crack Sealant & Lubricants
- Office & Janitorial Supplies
- Paper
- Water

Procurement method, awarding by line item and debundling offers additional opportunities to apply Local Preference.

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

Allow application of the Local Preference Program to Non-Profits, where applicable

Council Approval



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