



# City of San Antonio

## Agenda Memorandum

**File Number:**  
**{{item.tracking\_number}}**

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**Agenda Item Number:** 9

**Agenda Date:** September 21, 2022

**In Control:** Audit and Accountability Committee Meeting

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Staff briefing on proposed changes to the Local Preference Program

**SUMMARY:**

Staff will provide a briefing on recommended changes to the Local Preference Program. Recommended changes include aligning the current Local Preference Program Ordinance with State law and expanding the application of the Local Preference Program to include contracts funded in whole or in part by the federal government or where the City acts as a conduit for federal money to allow application of the Local Preference Program when federal statutes or the federal grantor expressly mandates or encourages geographic preference.

**BACKGROUND INFORMATION:**

In 2011, the Texas Legislature revised the law that allows cities to grant contracting preferences to local businesses when price alone determines the winning bid. The law previously only applied to cities with populations under 200,000. The City's Local Preference Program was approved on

March 21, 2013 and was amended on December 5, 2013 and on November 13, 2014.

A local business is defined as a business headquartered in within the City of San Antonio or a business that meets the following conditions: 1) an established place of business for at least one year in the incorporated limits of the City; and 2) from which at least 20% of its full-time, part-time, and contract employees are regularly based or a minimum of 100 employees; 3) and from which a substantial role in the business's performance if a commercially useful function or a substantial part of its operations is conducted. Businesses self-report this information.

The City's current Local Preference Program provides a 3% preference for local vendors for low bid good/supplies, low bid non-professional services and construction contracts. It also provides up to a 10-point preference for discretionary contracts not governed by statute.

Expanding the program to align with State law will increase the preference from 3% to 5% within certain thresholds for low bid good/supplies, low bid non-professional and construction contracts.

As currently written, the Local Preference Program Ordinance specifically prohibits application to contracts funded in whole or in part by the federal government or where the City acts as a conduit for federal money. While there are still prohibitions when using federal funds, it is recommended the City expand application of the Local Preference Program in all areas allowable, such as in instances allowed by applicable federal statutes or where the federal grantor expressly mandates or encourages geographic preference.

Staff recommendation is to amend the ordinance for these changes to use the City's spending powers to better promote fiscal responsibility and maximize the amount of resident tax dollars remaining in the local economy for the benefit its citizens by utilizing all available legal opportunities to contract with city businesses.

#### **ISSUE:**

For briefing purposes only

#### **FISCAL IMPACT:**

For briefing purposes only

#### **ALTERNATIVES:**

For briefing purposes only

#### **RECOMMENDATION:**

Staff recommends expanding the Local Preference Program by aligning current application of the Local Preference Program to Goods and Non-Professional Services with current State law increasing 3% price preference to 5% price preference for low bid contracts of fifty thousand

dollars (\$50,000.00) to under five hundred thousand dollars (\$500,000.00) and construction contracts of fifty thousand dollars (\$50,000.00) to under one hundred thousand dollars (\$100,000.00) and revising exception for application of the Local Preference Program for contracts funded in whole or in part by the federal government or where the City acts as a conduit for federal money, as allowable by federal statutes or when the federal grantor expressly mandates or encourages geographic preference.

This recommendation is consistent with the Council's goal of promoting local businesses.