



Date: May 18, 2017
To: Patrick H. West, City Manager *T.H.W.*
From: John Gross, Director of Financial Management *J.G.*
For: Mayor and Members of the City Council
Subject: **Supporting Local Businesses for City Purchasing Opportunities**

At its meeting on August 9, 2016, the City Council asked the City Manager to create a comprehensive plan to recruit and include Long Beach businesses in all City of Long Beach purchasing opportunities. The City Council also requested that staff benchmark the City's efforts against those of other public agencies.

As confirmed by benchmarking research, the City of Long Beach already has a comprehensive program, which includes many of the practices of other California agencies with strong local business-related efforts. The benchmarking, internet based survey was done for eight cities including all of the cities identified by City Council. The cities included: Los Angeles, Oakland, Pasadena, Sacramento, Santa Monica, Anaheim, San Francisco, and San Diego.

Long Beach's Local Preference includes both direct and indirect outreach and assistance to local vendors and businesses to support their inclusion in City purchasing opportunities, and to grow the Long Beach economy without adversely impacting the cost of City purchases. The City's practices are both reflective of, and coordinated with, our specific regulatory environment. Examples of the regulatory environment include that the City is required by the City Charter to award to the lowest responsive and responsible bidder; that the funding source or type/scope of work may require contractors to comply with additional hiring and reporting requirements (some of which may benefit local businesses and employees); and, that California law prohibits both discrimination and preferential treatment on the basis of race or gender.

This memo describes how Long Beach currently supports local business, examines what other cities do, and then describes steps the City expects to take to do even better in our ongoing efforts to recruit and include local businesses in City purchasing opportunities.

CURRENT PROGRAMS AND PRACTICES

The following practices and programs are already in place:

1. Local Preference

The Purchasing Division staff applies a Local Business Preference on applicable procurements to increase the competitiveness of bids from local businesses.

- When determining the lowest responsible bidder for furnishing materials, equipment, supplies, and non-professional services on applicable procurements

under the authority of the City's Purchasing Agent, a local preference bid reduction of 10 percent applies, up to \$10,000.

- Long Beach has the highest local preference percentage of any of the cities surveyed.

2. Small Business Enterprise Program

Staff administers the Small Business Enterprise (SBE), Very Small Business Enterprise (VSBE), and Local Small Business Enterprise (LSBE) Ordinance to promote utilization of these businesses.

- Adopted by Ordinance in 2011, the purpose of the program is to provide the City with more competition, lower costs, and better community participation by working to reduce barriers to small and local business participation in the City's contracting and procurement processes. Staff applies SBE/VSBE/LSBE goals to applicable procurements.
- In order to be considered responsive to a bid, bidders/proposers must submit commitment plans that demonstrate their ability or intention to meet the goal or satisfy significant criteria demonstrating good faith effort. The award makes the goal a contractual commitment or they must be able to show "best efforts."

3. Small Business Incentive Program

Business Licensing Division staff administers the Small Business Incentive Program. This program encourages small businesses to start, expand, or relocate in the City by providing a credit towards their business license tax bill.

4. Proactive Bid Notification

Staff manages the bidder database and procurement opportunities within PlanetBids, the City's procurement management system/service provider, to encourage competition (including that of local businesses) through timely and broad distribution of all opportunities.

- Staff proactively recruits and encourages local businesses to register in PlanetBids (see section on Outreach and Marketing).
- Staff posts specifications for bids and Requests for Proposals (RFPs) on PlanetBids. Registered vendors are automatically notified of new procurements that are of interest to them based on the commodity types to which they subscribe.

5. Bid and RFP Advertising Directed to Local Businesses

- Staff provides extra advertising notification for local businesses by placing an additional list of current opportunities in every issue of the Long Beach Business

Journal. Over 22,000 copies are delivered to Long Beach businesses and other locations.

- Staff emails a list of current opportunities weekly to 24 community-based organizations and related groups.

6. Outreach to Local Businesses

Staff regularly attends trade shows and industry fairs, and makes contact with local firms and employees to inform them about procurement programs and opportunities through the City.

7. Match-making

Staff conducts “match-making” sessions with small and local businesses to inform them of bid opportunities and to encourage and assist them in registering as a City vendor in PlanetBids, where they receive notifications of procurements of interest to them.

8. Individualized Outreach to Prospective Bidders/Proposers

Staff develops prospective bidders’ lists for individual procurements, which include any local businesses identified as potentially providing relevant goods or services. Staff then performs email and phone outreach to all prospective bidders for that procurement to encourage them to participate.

9. Monitor to Encourage Submission of Responses

Staff monitors vendor activity on PlanetBids, including downloads and questions. Staff conducts direct outreach calls to individual registrants (including local businesses) who have downloaded plans or specifications to encourage vendors to follow through on submitting bids or proposals. Staff also takes this opportunity to answer questions related to the submittal process to support participation and competition, which can be particularly of help to local businesses new to the City’s procurement process.

10. Website Information for Local Businesses

Staff maintains information on the City’s website related to the Local Business Preference initiative, the Small Business Enterprise Program, small business insurance and bonding assistance, and other resources that make it easier for local businesses to compete in City procurements.

11. Special Technical Guidance

Staff provides technical guidance to support businesses less familiar with City procurement procedures. For example, staff provides phone support to vendors navigating the City’s website or utilizing PlanetBids. Staff also recently developed a step-by-step guide in layman’s terms explaining the process of uploading a bid/proposal

in PlanetBids to support first-time users of the system in response to feedback received from community-based organizations.

12. Pre-Bid Conferences

Based on the complexity of the project or other factors, staff will sometimes conduct a pre-bid/proposal conference with prospective vendors to ensure understanding of the specifications, including any requirements related to labor compliance, and address vendor questions. This can help encourage local vendors affording them a better understanding of the City's procurement process.

FUTURE AREAS FOR IMPROVEMENT

In general, Long Beach stands with the best of the other cities surveyed, although Long Beach's program lacks a specific branding effort that ties and identifies all these actions into a single clear program title. Notwithstanding that Long Beach's program already excels, staff plans a number of improvements to Long Beach's local business procurement program. Those efforts are described below.

1. Branding and Promotion

Develop a branding approach for small and local business support. While Long Beach has an excellent overall program, branding it with a name, consolidating the various steps the City already takes, including making the program clearer on the City website, through local media, and social media should help reach more businesses and increase the recognition of the Long Beach program. This effort will begin immediately and is expected to be implemented by the end of the summer.

2. More and Clearer Opportunities for Local Businesses

Because many local businesses are smaller businesses, their best opportunity to win business with the City in a bid or RFP often tends to be the lower dollar value purchases. These tend to be scaled to fit local business opportunities and often can have fewer secondary requirements in terms of insurance and other potentially imposing requirements. Staff will develop approaches to increase opportunities for local businesses to compete and win in these areas. This effort will begin immediately and continue during LB COAST (City's new financial and HR systems - ERP) implementation.

- LB COAST implementation is expected to incorporate and promote City departmental use of the PlanetBids vendor database for solicitation of informal quotes on small purchases. The database itself will be developed to further support local businesses.
- LB COAST will evaluate transitioning to a more detailed listing of commodity and service types to better identify local vendor procurement interests. This will allow

staff to better match a local vendor with City procurement opportunities within PlanetBids. The existing categories and structure are sometimes too broad to be used as effectively as desired by City departments soliciting quotes.

3. Improved Coordination with Other City Programs/Resources

The City has a variety of programs and operations unrelated to procurement that involve outreach to, and engagement with, our local business community. There are opportunities for these efforts to work more collaboratively to better reach and assist local businesses. This effort will begin immediately and will be expanded as additional opportunities are identified with the following efforts:

- Partnering with the Business License team to increase outreach to local businesses regarding City procurement opportunities and related resources as part of their existing work in the field and at the Business License counter.
- Joint promotion with the Small Business Incentive Program currently offered through the Business Licensing Division. The program is underutilized, and could serve as an important offset to the cost of competing for City procurement opportunities for some local businesses.

4. Simplified Documents and Requirements

Over the next few years, as the City implements LB COAST and strengthens its Labor Compliance program, staff will look for opportunities to improve procurement documents and requirements where possible. Staff will work with the City Attorney's Office to determine what changes can be made to reduce the burden on all businesses, which will be of particular benefit to local and small businesses. Planned areas for evaluation include:

- A review to modernize and simplify the City's bid and RFP documents, with a goal to make them easier for small businesses.
- Consideration of use of a "sliding scale" for financial stability documentation, insurance, the number of references, and other requirements to ensure that the City's requirements are reflective of procurement size, scope and relative risk.
- Where feasible, improve vendor education regarding labor compliance and other regulatory requirements. Staff will be reviewing the overall administration process and approach to familiarizing businesses with these requirements to better support participation of businesses in the familiarization and training.

5. Local Business Support for RFPs (Professional Services)

The City's local outreach process already provides an excellent mechanism for support of local businesses in the RFP process. The additional steps the City will take as described above will also directly improve opportunities for local participation in RFPs. In part, because the inherent nature of the RFP process does not use price or cost as

its only evaluation criteria, there are substantial legal hurdles with regard to providing special consideration to local businesses beyond the steps the City is already providing. Staff will continue to work with the City Attorney to explore whether additional ways to support local business in the form of local preference could be practical when applied to RFPs for professional/consulting services when there are no other funding or City Charter restrictions.

The City has a strong program already in place to recruit and include local businesses in City purchasing opportunities. Long Beach's program compares well to other cities in California. Long Beach will further strengthen the impact of this program with a number of improvements. Some of these improvements may take some time to implement due to a number of other priorities, including medical marijuana business licensing and enforcement, LB COAST design and implementation, and ongoing major improvements to the business licensing system.

Staff anticipates having this item scheduled for consideration by the City Council no later than June 2017. If you have any questions, please call me at (562) 570-6427.

C:\DATA\LONG BEACH\PURCHASING\LOCAL PREFERENCE\TFF LOCAL BUSINESSES FINAL V2.01.DOCX

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
ANITRA DEMPSEY, INTERIM DEPUTY CITY MANAGER
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER
CM DEPARTMENT HEADS
CITY CLERK (REF. FILE #16-0719)