

ORDINANCE NO. 1170

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF UKIAH ADDING A NEW SUBSECTION D.4 TO UKIAH CITY CODE SECTION 1522

The City Council of the City of Ukiah hereby ordains as follows:

SECTION 1

Section §1522 of the Ukiah City Code is hereby amended by adding Subsection D. 4 to read as follows:

§1522 OPEN MARKET, INFORMAL BIDDING AND CONTRACTUAL SERVICES PROCEDURE

D. Miscellaneous

4. The City Council, in the exercise of its discretion, may by resolution provide a preference for local businesses in bidding or submitting price quotes under this Section §1522, when and to the extent such preference is allowed or not prohibited by applicable state or federal law.

SECTION 2

EFFECTIVE DATE.

This Ordinance shall be published as required by law in a newspaper of general circulation in the City of Ukiah, and shall become effective thirty (30) days after its adoption.

Introduced by title only on September 7, 2016, by the following roll call vote:

AYES: Councilmembers Crane, Mulheren, Doble, and Mayor Scalmanini
NOES: None
ABSTAIN: None
ABSENT: Councilmember Brown

Adopted on September 21, 2016, by the following roll call vote:

AYES: Councilmembers Mulheren, Doble, Brown, and Mayor Scalmanini
NOES: None
ABSTAIN: None
ABSENT: Councilmember Crane


Stephen G. Scalmanini, Mayor

ATTEST:


Kristine Lawler, City Clerk



AGENDA SUMMARY REPORT

SUBJECT: Review of Local Preference Purchasing Policy.

DEPARTMENT: Finance

PREPARED BY: Mary Horger

ATTACHMENTS:

[ATTACHMENT 1 - RESOLUTION 2016-50](#)

[ATTACHMENT 2 - 2017-46 CC Reso - Extending Bidding Preference for Local Businesses](#)

[ATTACHMENT 3 - Local Preference Analysis Summary](#)

Summary: The Council will receive a report reviewing the Local Preference Purchasing Policy, and consider whether to allow the revised ordinance to sunset, or to approve its continuance.

Background: At the September 7, 2016 Council meeting, an ordinance was introduced amending UCC Section 1522 by title only, and Resolution 2016-50 (Attachment 1) was approved, establishing a bidding preference for local businesses with an effective date of November 1, 2016. The ordinance was formally adopted at the September 21, 2016 Council meeting. Per the resolution, annual reporting is required on the implementation of the Local Preference Purchasing Policy.

At the September 20, 2017 Council meeting, Council received the first annual report, and approved its continuation, and subsequent Resolution 2017-46 (Attachment 2) at the October 4, 2017 Council meeting. The ordinance will be repealed effective October 31, 2018, subject to further action by the City Council.

RECOMMENDED ACTION: Receive report, and decide whether or not to continue the policy.

BUDGET AMENDMENT REQUIRED: No

CURRENT BUDGET AMOUNT: N/A

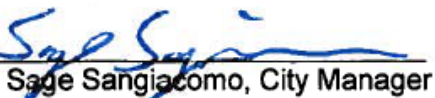
PROPOSED BUDGET AMOUNT: N/A

FINANCING SOURCE: N/A

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/A

COORDINATED WITH: Mary Williamson, Buyer II

Approved: _____


Sage Sangiacomo, City Manager

Discussion: Please see Attachment 3, which provides a summary of the number of formal purchase orders (POs) issued, the total dollar amount of POs placed, the number in which the bidding preference resulted in a purchase from a Local Vendor, and the increased cost to the City of providing the bidding preference to Local Vendors since the continuation of the ordinance as of November 1, 2017. The attachment also provides a list of those purchases that were affected by the local preference.

Based on the information provided, Council may choose to allow the automatic repeal of the Local Preference policy on October 31, 2018, or may decide to continue the policy, which would require the adoption of an additional resolution that could be presented for approval at the next Council meeting, and be immediately effective at the time of its approval. If continuation is the desired direction, Council should also consider providing direction on the desired period prior to the next review or making the policy permanent.

RESOLUTION 2017- 46

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH EXTENDING THE BIDDING FOR ONE YEAR THE PREFERENCE FOR LOCAL BUSINESSES ENACTED BY CITY COUNCIL
RESOLUTION NO. 2016-50**

WHEREAS:

1. On September 7, 2016, pursuant to Ukiah City Code Section 1522.D.4, the City Council adopted Resolution No. 2016-50, adopting a preference for local businesses on the City's procurement of certain goods or services; and

2. The local preference adopted by Resolution 2016-50, by its terms, is to be repealed effective October 31, 2017, unless extended by City Council resolution, after conducting a review of the resolution a year after its adoption; and

3. On September 20, 2017, the City Council conducted the one-year review of the local preference; and

4. The City Council determined that the local preference adopted by Resolution No. 2016-50 should be extended for an additional year and another annual review of its impact on the City and local businesses;

NOW, THEREFORE, BE IT RESOLVED that:

1. Resolution No. 2016-50 is hereby extended for an additional period of one year to and including October 31, 2018.

2. City staff shall prepare an annual report to the City Council as provided in Section 5 of Resolution No. 2016-50.

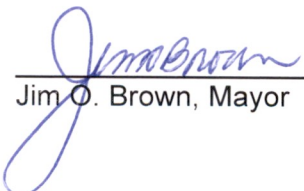
PASSED AND ADOPTED on October 4, 2017, by the following Roll Call Vote:

AYES: Councilmembers Scalmanini, Crane, Mulheren, Doble, and Mayor Brown

NOES: None

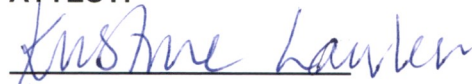
ABSTAIN: None

ABSENT: None



Jim O. Brown, Mayor

ATTEST:



Kristine Lawler, City Clerk

ATTACHMENT 3

Local Preference Analysis Summary	
Number of formal Purchase Orders placed:	526
Total spend of Purchase Orders placed:	\$ 4,358,586.93
Number of Purchase Orders affected by Local Preference since November 1, 2017:	4
Increased cost to the City due to the Local Preference Policy:	\$159.04

Purchases specifically affected by Local Preference since November 1, 2017						
PO or Contract #	Date	General Description	Local Vendor Name	Local Vendor Price	Low Bid Price	Difference Representing Increased Cost to City
45055	10/16/2017	Misc Water Pipe repair items	Pace Supply	\$ 2,929.93	\$ 2,849.20	\$ (80.73)
45119	11/21/2017	Misc Water Pipe repair items	Pace Supply	\$ 1,425.00	\$ 1,384.75	\$ (40.25)
45226	2/8/2018	Misc Water Pipe repair items	Pace Supply	\$ 2,395.14	\$ 2,376.00	\$ (19.14)
45460	6/20/2018	Elec - PVC reducers	Fastenal	\$ 1,799.98	\$ 1,781.06	\$ (18.92)
					TOTAL:	\$ (159.04)

RESOLUTION 2016-50**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH ADOPTING A BIDDING PREFERENCE FOR LOCAL BUSINESSES WHEN SUBMITTING BIDS OR PRICE QUOTES FOR THE PURCHASE OF SUPPLIES, EQUIPMENT AND MATERIALS BY THE CITY****WHEREAS:****1. The City Council of the City of Ukiah finds:**

a. Local economic conditions justify directing City expenditures to local businesses by providing a modest bidding advantage to local businesses. This bidding advantage may allow these businesses to retain employees, pay higher wages and hire new employees. According to the California Employment Development Department ("EDD"), the unemployment rate in Mendocino County is currently 5.3%, while the statewide rate is 5.9%. However, according to the Final Report, Ukiah Valley Growth Prospects (March 6, 2007), 49.1% of the population are estimated to be in the labor force in Mendocino County, compared with a statewide average of 65.8%. A much higher percentage of the population in Mendocino County than in the state as a whole has dropped out of the labor market and stopped looking for work. In addition, according to the Census Bureau, the percentage of the Mendocino County population living in poverty is 18.8%. In 2014, the most recent annual statistic available from the Census Bureau, median income in Mendocino County was \$43,290 and per capita income was \$23,712. The statewide median income is \$48,434. According to the Census Bureau, California has the highest percentage of population living in poverty in the country, nearly one in four Californians. Using traditional measures of poverty, the statewide percentage of the population living in poverty is 16%. The percentage in Mendocino County is 18.8%. At the same time, housing prices in Mendocino County are significantly higher than in similar rural counties. According to Trulia, the average sales price of houses in Ukiah in May-August 2016 was \$320,000. The median sales price of a house in rural communities with similar demographics is much lower. For example, the median sale price of a house in Redding was \$206,000, in Eureka \$249,000, and in Lakeport \$159,000. 38% of Mendocino County residents rent houses or apartments. Monthly rent in recent listings for two bedroom apartments averaged \$950 and between \$1500 and \$2000 for 2-3 bedroom houses. For two people with an annual per capita income of \$43,000, the rent for a two bedroom apartment would consume almost 26.5% of their annual income. Rent for a two bedroom house would consume between 42% and 56% of their income. This does not include the cost of utilities.

b. With the decline of timber and other natural resource based industries, retail sales has increased as a major source of employment in Mendocino County. Businesses in Mendocino County incur higher shipping costs and sell in a smaller market than business in more urban settings which creates a competitive disadvantage in setting prices. A modest bidding advantage will off-set this competitive disadvantage and allow local business to compete on a more level playing field with businesses in nearby more urban markets.

2. Based on the foregoing findings, the City Council has determined that it is in the interest of the City to provide Mendocino County businesses with a modest bidding advantage as set forth below.

NOW, THEREFORE, BE IT RESOLVED:

1. Pursuant to Ukiah City Code ("UCC") Section 1522.D.4, Local Vendors shall be given an allowance of five percent (5%), up to a maximum allowance of \$2,500, on any bid for supplies, equipment and/or materials. The City shall purchase from a Local Vendor, if (1) the lowest bid or price quote is from a vendor which is not local, and (2) its bid or price quote is more than a bid or price quote from a Local Vendor, when \$2,500 or 5% of the low bid or price quote from the Local Vendor, whichever is less, is subtracted from the bid or price quote from the Local Vendor. For example, if \$100 is the lowest bid or price quote and is from a vendor

which is not local and the lowest bid from a Local Vendor is \$104, the City would purchase from the Local Vendor (LV bid = \$104. $\$104 \times .05 = \5.20 . $\$104 - \$5.20 = \$98.80 < \100 from non-LV.)

A Local Vendor is defined as one which, 1) conducts business in an office or other business premises with a physical location in Mendocino County, 2) holds a valid business license issued by Mendocino County or one of the cities in Mendocino County for that business location; and 3) has conducted business in compliance with 1) and 2) for not less than six (6) months prior to requesting the preference. The City shall receive satisfactory proof that a business qualifies as a local vendor before it may receive the local vendor preference.

The preference shall not apply or be disregarded where two or more bids or price quotes from Local Vendors are lower than any bids or price quotes from vendors who are not local. In the event that there is a tie bid, where one bidder is local and the other is not, and the bid is equal in price and quality, the award shall go to the Local Vendor.

2. Consistent with UCC Section 1522.A, the term "Local Vendor" means a business that 1) conducts business in an office or other business premises with a physical location in Mendocino County, 2) holds a valid business license issued by Mendocino County or one of the cities in Mendocino County for that business location; and 3) has conducted business in compliance with 1) and 2) for not less than six (6) months prior to requesting the preference. The City shall receive satisfactory proof that a business qualifies as a Local Vendor before it may receive the Local Vendor preference.

3. The preference shall not apply or be disregarded where two or more bids or price quotes from Local Vendors are lower than any bids or price quotes from vendors which are not local. In the event that there is a tie bid, where one bidder is local and the other is not, and the bid is equal in price and quality, the award shall go to the local bidder.

4. The Purchasing Officer is authorized to adopt additional procedures consistent with this resolution and UCC Section 1522 as necessary to incorporate this bidding advantage for Local Vendors into the City's procurement practices and to fairly resolve any disputes that arise in the course of administering this Resolution.

5. The Purchasing Officer shall report annually to the City Council on the implementation of this policy, including, but not limited to, the number of bids for supplies, equipment and materials received by the City, the number in which the bidding preference resulted in a purchase from a Local Vendor, and the increased cost to the City, if any, of providing the bidding preference to Local Vendors.

6. This resolution shall apply to the solicitation of bids or quotes for supplies, equipment and materials beginning on November 1, 2016, provided Ordinance No. ___ becomes effective on November 1, 2016, which shall be repealed effective October 31, 2017, subject to further action by the City Council.

PASSED AND ADOPTED on September 7, 2016, by the following Roll Call Vote:

AYES: Councilmembers Crane, Mulheren, Doble, and Mayor Scalmanini
NOES: None
ABSTAIN: None
ABSENT: Councilmember Brown

ATTEST:



Kristine Lawler, City Clerk


Stephen G. Scalmanini, Mayor