

Local Preference in City of Grand Prairie

Presented by Purchasing
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Agenda:

- Local Preference
- Local Business Presence
- Potential Pitfalls of using either
- Current local business outreach

Low Bid vs. Best Value



Local Preference
Low Bid



Local Business Presence
Best Value

What is Local Preference?

Local Preference is a bid **preference** which may be given to suppliers doing business in the purchasing jurisdiction (NIGP, 2009).

-Texas Local Government Code Chapter 271 for **Low Bid** solicitations :

- For Construction –if within 5% and contract is less than \$100,000 (§ 271.9051).
- For Commodities/Services –if within 5% and contract is less than \$500,000, OR 3% for commodity contracts more than \$500,000 (§ 271.905).
- Determined through Council resolution

-With the increase in Best Value bids, and less Low Bids being performed, Local Preference is rarely used:

- In Grand Prairie, only six times since 2010.
- December 2017 for our Rebar and Concrete Steel supplies price agreement to Fabco LLC

What is Local Business Presence?

-**Local Business Presence** is supported in Texas Law for Best Value solicitations:

“(8) any relevant criteria specifically listed in the request for bids or proposals.” (§ 252.043).

-This allows municipalities to structure the Evaluation Criteria with locality in mind:

- This could be 3-5 points (equivalent of 3-5%).
- Be **relevant** & **define** who qualifies:

“The City seeks opportunities for businesses with a Local Business Presence in the City Limits to participate on City contracts thereby **providing a minimal environmental footprint through reduced transportation time and costs associated with Project delivery.** A firm (Offeror or Subcontractor) **is considered to have a Local Business Presence if the firm is headquartered in the City Limits, or has a branch office located in the City Limits in operation for the past five (5) years.** The City defines headquarters as the administrative center where most of the important functions and full responsibility for managing and coordinating the business activities of the firm are located. Points will be awarded through a combination of the Offeror’s Local Business Presence and/or the Local Business Presence of their subcontractors.

--an example of Local Business Presence in an Evaluation Criteria

- No Council resolution
- If properly justified, relevant, and defined it is considered “Best Practice” regarding **Local Business Presence**

How all this applies

Solicitation Method →	Competitive (Low Bid): Request For Quotations and Invitation For Bids				Competitive (Evaluative): Request for Bids Best Value and Request for Proposals			Rqst For Qualifications Statement (Prof Svcs / Consultant)	Non-Competitive Awards (No Solicitation) and Rqst For Info
Acquiring →	Goods Only	Mixed	Svcs Only	Construction	Goods Only	Mixed	Svcs Only	Svcs or Svcs w/ goods incidental	Does Not Apply
Legal Basis (below)				Up to 5%	Local Government Code Chapter 252.043 (b) (8)			Prof Svcs: GC 2254.003 (a) (1) Consultant: GC 2254.027 (2)	LGC252.022, GC 791 and others...
Per Local Government Code Chapter 271, Section 9051	Up to 5%	Up to 5%	Up to 5%	\$100,000 or more	Evaluation Criteria Points			Government Code Chapter 2254, Section 003 (a) (1): local presence is not an issue of competence, but may be a matter of qualification? If so: Evaluation Criteria Points Government Code Chapter 2254, Section 027 (2) for consulting is explicit: Evaluation Criteria Points	No Points Or Percentage
\$500,000 or More									
Per Local Government Code Chapter 271, Section 905	Up to 3%	Up to 3% Based on Highest Goods or Services Component	No Preference Allowed	No Preference Allowed by Either Section of Local Government Code Chapter 271					

Local Preference
Low Bid

Local Business Presence
Best Value

Exempt

Potential Preferential Pitfalls

-**Local Preference** is a preference contrary to the purpose & mission of Public Procurement:

“To secure for the taxpayers the *best work and materials at the lowest practicable price.*” -Texas Supreme Court

-Can be argued to be “unfair” and an “abuse” of governmental powers.

-Most procurement professional organizations advise against **Local Preference**

“Local preference takes several forms; the most prevalent form is the percentage preference. Eleven states still have local-preference laws. Percentage preferences of 1.5% to 10% are given to those eleven states in bid-price competition with out-of-state firms. But what if we were required to give percentage preferences to minority firms? To union shops? To small businesses? To other special-interest groups? The effect is the same: When a percentage preference is given to local businesses, it is given at the added expense of all taxpayers.”
-National Institute of Governmental Purchasers' (NIGP) Basic Purchasing Manual

-**City of Tucson's** Local Preference Ordinance ruled “unconstitutional”

-**Illinois, California, New York, Georgia, & Washington State** have removed similar state local preference laws

-Most agree **Local Business Presence** as an evaluation criteria could be used within reason so long as it is justified as being **relevant** & properly **defined**.

Our Grand Prairie vendor outreach

- A minimum of **One Grand Prairie Vendor Quote is Required** for all purchasing between \$3,000 - \$49,999 per our Purchasing Manual.
 - Often times, no vendors exist or do not provide the requested quote.
- Bids are currently advertised on **GPTX.org**, the Star-Telegram, Bidsync.com, and **posted in the Purchasing Office** for local vendors to see.
- Scheduling to speak at **Chamber of Commerce** Business Exchange breakfast “how do I compete on a Grand Prairie contract?”

How can we do better?

- Evaluate local newspapers: **Grand Prairie Reporter, Rambler Newspaper.**
- Bids could be posted at **City Hall**
- Chamber of Commerce **workshops** –i.e. “How do I respond to a Request for Bids?”
- Start with a **standardized** Best Value Evaluation Criteria, but allow it to then be tailored it to the specific goals of what the City is truly looking to purchase.

Questions?