

# MEMORANDUM

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**To:** Steve Salomon, City Manager  
**Cc:** Eric Frost, Administrative Services Director  
**From:** Renee Nagel, Finance Manager  
**Date:** August 18, 2010  
**Re:** Local Preference Plan

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On June 21, 2010, Council directed staff to implement a local preference plan to encourage local businesses to provide goods and services to the City. A local preference has many benefits to a community as it will bring local knowledge to projects and establish relationships within the community.

The purpose of this memo is to state the local preference plan and how it will be enacted. The local preference will apply to all projects the meet the following criteria:

1. The contract is not a construction contract governed by the contracting code of California;
2. The project is funded solely from local monies which are not restricted by federal or State competitive bidding procedures;
3. The award of the contract is for \$25,000 or more. For all contracts that are \$25,000 or less, staff will continue to seek quotes from local businesses.

The "local preference" will apply to any business that has a business address within Tulare County six months prior to bidding on a City project. A post office box will not be accepted as a business address. The local preference will consist of the following:

- Bid Match Preference – A local vendor whose bid is within 5% of the apparent low bidder will be given three (3) business days, from date notified, to match or beat the low bid. If there is more than one local vendor that is within the 5% range, the offer goes to the local vendor that is closest to the low bid. If the low local bidder cannot meet or beat the low bid, the offer will go to the next local bidder that was within the 5% range.
- Contract Match Preference –To save counties and cities time and money, the State and National Government have awarded contracts that were bid competitively. Counties and cities may utilize these contracts as if they bid them themselves. This is allowed by the Public Contract Code, Section 10324, and is known as "piggybacking". Any State or National contract price that is considered for purchasing products or goods will be offered to local businesses to meet or beat the contract price. Staff has been utilizing this method for the past three years on all vehicle purchases.
- Sales Tax Credit – When a product or good is sold within the city limits, the City receives 1.75% back in sales tax (1% General sales Tax, .25% Measure T Public Safety sales Tax, & .50% Measure R County-wide Road Sales Tax). If a product is

sold outside city limits, within Tulare County, the City receives .50% in sales tax (Measure R County-wide Road Sales Tax). The estimated sales tax to be collected will be used as a credit during price evaluation on all bids and piggyback-able contracts. Staff has been applying the sales tax credit for the past three years on all goods or products purchased in Visalia.

- Local Knowledge Preference - The Request for Proposals/Qualifications (RFP/RFQ) process is used to select professional services that are specialized in specific areas such as Architects or Engineering firms. The RFP/RFQ process selects professionals based on qualifications and uses cost to negotiate if needed. All RFP/RFQ will include a local knowledge preference of 5%.
- Annual Seminar - The Purchasing Division will hold an annual seminar for local businesses on “how to do business” with the City. The seminar will be advertised in the local newspaper and letters will be sent to businesses that supply goods or services that are utilized by the City. The Purchasing division will work with the Chamber of Commerce and the City Business License Division to get an accurate list of businesses in Visalia.

In addition to the actions above, staff will continue to search for local businesses by utilizing the yellow pages, internet and notifying vendors of bids and RFPS via letter, faxes, and e-mail. All businesses that register as a City vendor have access to City bids by the internet.

This plan is the first step with increasing the level of local participation. Staff will continue to review local participation requirements with other agencies to ensure the City is doing its best to work with local businesses.

Any bids or RFP's that do not follow the Local Preference plan as outlined will need to be taken to City Council for authorization to amend the plan.