



**City of Madison**

**Legislative File Number 05943 (version 2)**

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**Title**

AMENDED - Adopting the Local Preference Purchasing Policy dated March 20, 2007.

**Body**

**PREAMBLE**

Local preference purchasing policies, or Buy Local policies, have been adopted by various municipalities to provide a formal preference for acquiring goods and services for their operations through local vendors.

A subcommittee of members from the Board of Estimates and the Economic Development Commission (EDC) have considered the issue of potential Buy Local policies for the City of Madison and made several recommendations.

The subcommittee's findings and recommendations, as modified by EDC and Mayor Dave Cieslewicz, are embodied in the policy document.

NOW, THEREFORE, BE IT RESOLVED, that the Common Council of the City of Madison hereby adopts the following Local Preference Purchasing Policy dated March 20, 2007. These provisions would become effective four months after Council adoption.

**SUBJECT:      Local Preference Purchasing Policy**

**DATE:            March 20, 2007**

**Public purpose.** There are two primary potential public benefits to the City of Madison adopting a local preference purchasing, or Buy Local, policy. First, buying locally retains and circulates more money in the local economy. Second, the City's adoption of a Buy Local policy would encourage area residents, businesses and other units of government to also buy locally.

**Current condition.** The City has a primarily decentralized approach to purchasing and delegates authority to agency staff for many of its purchases. Current purchasing oversight falls into three categories:

- Purchases less than \$5,000 are made by agency staff using their best judgment. This informal process has limited oversight by staff in the Comptroller's Office. These purchases are typically paid for using P-Cards and limited purchase orders (LPOs).
- Purchases from \$5,000 to \$25,000 involve formal written quotes that seek three bidders. Agency managers typically determine which vendor to use. Comptroller staff rarely oversee such purchases. Payment is typically made via purchase order.
- Purchases over \$25,000 are coordinated and reviewed by purchasing staff in the Comptroller's Office. This is the most formal purchasing process under current practices. Payment is typically

made via purchase order.

Address is the only data currently collected that can be used to determine whether a business is local. About 70% of purchase orders currently involve an address within Dane County. About half of P-Card purchases are made at a Dane County address.

**Specific policies.** The City will implement a simple policy that can be easily followed by vendors and administered by City staff.

Reflecting current purchasing practices, the City will adopt two policies: one that applies to purchases under \$5,000 and another that applies to purchases over \$5,000. These policies will apply based on the dollar amount of the purchase, not the method of payment (P-Card vs. purchase order vs. LPO).

The "local area" is defined as Dane County and any other county participating in the regional economic development entity that has a policy providing preference to vendors located in at least its county and Dane County. This reciprocal arrangement applies on a county-wide basis. If a municipality within a certain county implements a policy that provides preference to vendors in the county in which it is located and Dane County, then the City of Madison local preference applies to vendors in that county.

**Purchases under \$5,000.** Given the decentralized and informal nature of such purchases, holders of City P-Cards will be encouraged, but not required, to use local vendors.

To facilitate the identification of local vendors, the City will provide an opportunity for vendors to identify themselves as local according to several criteria. First, they must have a physical address within the local area. In addition, a vendor may self identify its:

- Portion of its employees working at facilities in the local area (minimum 50% to be considered local);
- Portion of ownership vested in residents of the local area (minimum 50% to be considered local);
- Portion of business sourcing within the local area (minimum 15% to be considered local). Sourcing includes the local acquisition of supplies and raw materials or support services like contract employees, accounting, advertising, banking, printing, etc.

Only businesses that meet the minimum level for two of the three additional criteria are considered local. Resulting scores will result in a ranking of businesses, which is to say that some businesses on the list may be ranked as more local than others.

Any person or organization may voluntarily contribute to this list via the Internet. The resulting list will be provided to authorized holders of City P-Cards as well as to citizens to help guide their buying decisions. The City's Information Services Department will be consulted on how this list will best be made available for this purpose.

**Purchases over \$5,000.** To determine if a vendor is local, questions will be incorporated into formal bid documents and requests for proposal. A vendor must have a physical address within the local area and meet two of the three minimum criteria above to be considered local. Based on these criteria, a vendor is either considered local or non-local. There are no varying degrees or rankings applied.

For these more formal purchases, there are two sets of policies that depend on the method used to make

the purchase.

*Bids.* The acquisition of commodities over \$5,000 is typically done by bids. Generally, the only criteria used in making the determination is purchase price. For these purchases, local vendors are provided a 1% preference. If a local vendor submits a bid within 1% of the lowest non-local bidder, the purchase is awarded to that local vendor.

*Requests for Proposal.* RFP's are typically used to acquire services over \$5,000. They are evaluated against criteria in addition to purchase price that can include timeliness of delivery, past performance and other factors. RFP's are scored against these established criteria. Local vendors are provided with a bonus equal to 5% of total available points.

**Exemptions and limitations.** This policy is subject to certain prescribed exemptions. Due to state law, Buy Local policies may not apply to public works projects. Due to federal restrictions, federally funded programs are also exempt. Exemptions will also be made for emergencies, sole source purchases, cooperative purchasing agreements and cases in which a local vendor is not qualified as determined by City staff. If it is determined by City staff that a vendor has misrepresented its local status, it will be ineligible to receive preference.

**Reporting requirements.** Purchasing staff will conduct a review of purchasing transactions and report annually to the Common Council at their first meeting in March on the dollar amount of procurements made from local vendors included in the City's database and the increase from year to year in the amount of locally purchased supplies and commodities. Purchasing staff will provide a similar report regarding purchases of commodities and services over \$5,000 using the bid and RFP processes.

#### **Fiscal Note**

Implementation of this local preference purchasing policy will establish new administrative responsibilities for staff in Information Services, central Purchasing and in the many operating departments who participate in the daily purchasing activities of City government. IS would be responsible for developing an on-line system for vendors to identify themselves as "local" and to maintain a list of these vendors on the City's web site for use by City staff and the public. Central Purchasing would be responsible for modifying current bid and RFP document formats to incorporate local preference criteria into the standard vendor selection processes for purchases over \$25,000. Staff in all City agencies that make purchasing decisions over \$5,000 would be responsible for incorporating the same criteria into their competitive selection processes when making vendor selections. Based on the proposed policy structure and the 4-month implementation timeline, it is likely that the necessary implementation work can be accomplished with available staff resources.

The policy also creates a 1% price preference or a 5% scoring preference for local vendors responding to non-public works bids, requests for quotations and requests for proposals. To the extent that these preferences result in the award of bids and contracts to other than the lowest price or highest scoring vendors, there is likely to be an increase in the price paid by the City for products and services. The extent of this potential increase is not known at this time, but Central Purchasing staff does not anticipate a substantial increase in costs given past experience. Following implementation of this policy, staff would attempt to accumulate and report the extent to which the award of bids and contracts has been influenced by the new policy.

