

Item #8
5/11/21

Scott County: Local Preference Bidding

APRIL 12, 2021

Quad Cities Chamber

Authored by: Jake Ford, Director of Gov. Affairs



Local Preference Bidding

Supporting Local Economies When Reasonable

Local preference programs have a long-studied history with documented advantages and disadvantages to their implementation. Among the primary benefits of such a program is what is known as the Multiplier Effect. In short, it is the way in which a governments funding ripples through an economy. When local governments spend their money with locally owned firms, those firms in turn generate local supply chains. Each additional dollar that goes into circulation locally boosts economic activity, employment, and tax revenue.

The national nonprofit known as NIGP: The Institute for Public Procurement recognizes that, “As local dollars are spent in a local economy,” the institute says, “more jobs are maintained or created, and income is generated for residents.”

Types of Local Preference:

1. Tie-bids - when the bid of a local bidder is the same amount of that of a non-local bid
2. Percentage bids - when the local bidder’s bid falls within a certain percentage of that of the lowest bid by a non-local bidder
3. Absolute bids - where the bid is awarded to the local bidder even if it is not lowest bid.

Current Examples of Local Preference Bidding:

The Institute for Local Self-Reliance gives two great examples of local preference bidding.

“In Montgomery County, Md., the Local Small Business Reserve Program (LSBRP) designates certain solicitations only for LSBRP bidders and aims to direct 20 percent of county contracts under \$10 million to those firms. Under the program, “local” is defined as businesses that are either located only in the county, or businesses with locations both inside and outside of the county, but for which the county-based location accounts for over 50 percent of the total number of employees or over 50 percent of gross sales. The county has registered more than 1,220 local small businesses in its vendor system, and in 2012, it spent \$83.7 million with LSBRP-certified businesses, or 16.7 percent of its total contract dollars.”

“In San Diego, the Small Local Business Enterprise (SLBE) Program, is administered by the city’s Equal Opportunity Contracting Program. Under the program, public works contracts valued at \$1 million and above include a mandatory subcontractor participation requirement for certified SLBEs, contracts valued between \$500,000 and \$1 million have a 5 percent bid discount for SLBEs, and contracts valued between \$250,000 and \$500,000 are only open to certified SLBEs. Other forms of contracts, such as those for goods and services, contain similar elements. To qualify for the SLBE program, a business must have both a principal place of business and a significant employment presence in the city or in San Diego County. The SLBE Program went into effect in 2010, and it continues to grow. In 2013, the program directed \$39 million in construction, architectural, and engineering contracts to 411 small, local firms. Just the next year, those numbers had increased to \$69 million, and 430 firms.”

Recommendation:

While there are many success stories like Montgomery County, MD and San Diego, almost all cities and counties chalk up those victories to well-developed goals, clear tracking and reporting, and firm definitions in ordinances. The adoption of an ordinance alone will not help counties to contract locally, but the follow through of implementing such rules is the key to a transformation in how procurement is handled. This would include any local bidding rules specifically detailing what “local means” as done in the above examples.

To help grow the local economies surrounding Scott County, the Board would be wise to adopt a local preference ordinance based on the percentage bids model. Many communities have found it useful to consider local bids as if they were a set percentage cheaper to level the playing field – generally somewhere between 5%-15%. However, the ordinance could also include provisions that provide separate percentage discounts based on the contract’s value, as seen in the San Diego example.

Therefore, Scott County might implement a local bidding preference policy based on the following:

- 5% discount for local bidders for all contracts under \$250,000
- 2% discount for local bidders for all contracts valued between \$250,001 and \$1 million
- 1% discount for local bidders for all contracts above \$1 million dollars
- Defining Local: Any business with a principal place of business and significant employee presence within Scott, Clinton or Muscatine counties in Iowa; or Rock Island, Henry and Mercer counties in Illinois.

While more financial details would be needed to provide a precise outlook on what this change would mean for our regional economy, there is no doubt that any contracts awarded locally at a percent decrease would input more dollars into our economy than when awarded to out-of-town companies. Those dollars, as stated previously would boost economic activity, employment, and tax revenue through a multiplying effect.

It would not be wise, in our estimation to completely ignore out-of-town bidders in any scenario, as local companies cannot complete all necessary bids, nor can they always provide reasonable cost estimates as compared to larger companies. However, with a dedicated and transparent percentage model in place, Scott County could continue to hear from all bidders, while giving preference to those who will add value to the local economy for a set percent deduction on procurement pricing.

Resources For Consideration:

[NIGP’s: Local Preference in Public Procurement Position Paper](#)

[STATE RECIPROCAL AND PREFERENCE PRACTICES](#)

[Institute for Self-Reliance: Local Purchasing Preferences & Why Independent Matters: Economic Returns](#)

[Civic Economics Impact Study Series: Salt Lake City Chain v. Independent Spending](#)

[GOVERNING: In Government Procurement, Buying Local Is Popular. But Is It Beneficial?](#)

**THE COUNTY AUDITOR'S SIGNATURE
CERTIFIES THAT THIS RESOLUTION
HAS BEEN FORMALLY APPROVED BY THE
BOARD OF SUPERVISORS ON _____.
DATE**

SCOTT COUNTY TREASURER (pursuant to Iowa
Code Section 69.3(1))

R E S O L U T I O N

SCOTT COUNTY BOARD OF SUPERVISORS

May 13, 2021

**APPROVAL ESTABLISHING A COUNTY POLICY PROVIDING A PREFERENCE FOR LOCAL
BIDDERS IN THE AWARD OF ALL COUNTY CONTRACTS FOR GOODS AND SERVICES**

BE IT RESOLVED BY the Scott County Board of Supervisors as follows:

- Section 1. The County will establish a policy providing a preference for local bidders in the award of all county contracts for goods and services as follows:
- a) 5% discount for local bidders for all contracts under \$250,000;
 - b) 2% discount for local bidders for all contracts between \$250,001 and \$1,000,000;
 - c) 1% discount for local bidders for all contracts above \$1,000,000.
- Section 2. A "local bidder" shall be defined as any business with a principal place of business and significant employee presence within Scott, Clinton or Muscatine counties in Iowa; or Rock Island, Henry and Mercer counties in Illinois.
- Section 3. This resolution shall take effect immediately.