

Agenda Report

June 21, 2010

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (March 3, 2010)

FROM: Department of Finance

SUBJECT: ESTABLISHMENT OF PASADENA FIRST BUY LOCAL

RECOMMENDATION:

It is recommended that the City Council receive this Operations Document to establish the Pasadena First Buy Local program.

ECONOMIC DEVELOPMENT & TECHNOLOGY RECOMMENDATION:

The attached Operations Document was presented to the City Council's Economic Development & Technology Committee in draft on March 3, 2010 as an information item.

EXECUTIVE SUMMARY:

In June 2009 the City Council adopted Three-Year Strategic Goals which included a strategic objective to "Support and Promote the Quality of Life and the Local Economy." Staff was tasked to design a new and expanded "Pasadena First" program to give Pasadena businesses and residents priority for City business opportunities. As a result, efforts related to local procurement and hiring were consolidated in the Department of Finance to coordinate the design and development of the Pasadena First Buy Local program.

Using the results from a preliminary study and the information gathered through research, five principle objectives (below) were identified for inclusion in the Pasadena First Buy Local program. The attached operations document (Attachment C) includes the details for each objective. The program has an increased focus on outreach and partnerships that will develop and maintain long-term positive impact on the local economy.

Objective #1: Conduct local outreach to identify and register local businesses and local residents for construction job referrals

Objective #2: Identify and promote local procurement and contracting opportunities for local businesses

Objective #3: Identify and promote local hiring opportunities for the hiring of Pasadena residents

Objective #4: Support and promote the application of local preferences on competitively bid contracts and Request for Proposals, where applicable, by City ordinance

Objective #5: Create strategic partnerships to advance the Pasadena First Buy Local Program

As a way to measure outcomes staff shall prepare a report of local purchasing and hiring, referrals and outreach events. In addition, staff shall utilize the U.S. Department of Commerce, Bureau of Economic Analysis: Regional Input-Output Modeling (RIMS II) system as a barometer for measuring the overall impact of local purchasing. Regional input-output multipliers such as the RIMS II multipliers attempt to estimate how much a one-time or sustained increase in economic activity in a particular region will be supplied by industries located in the region. RIMS II multipliers differ from macro-economic multipliers used to assess the effects of fiscal stimulus on gross national product.

The Pasadena First Buy Local program is designed to serve as an ongoing local stimulus to businesses and residents of Pasadena. While the Pasadena First Buy Local program is designed to have an immediate impact on businesses that supply goods and services most frequently purchased by the City, it will also focus on businesses throughout the City that require capacity-building in order to become more competitive for local opportunities.

BACKGROUND:

In 2004 and in 2008, the City Council adopted two ordinances to increase local business participation in City procurement opportunities and in the hiring of residents for construction projects. The first ordinance established local hiring for construction projects. The second ordinance established a 5 percent preference for local businesses and a 5 percent preference for small businesses. Also included were those procurements subject to competitive selection through the Request for Proposal (RFP) process. In June 2009 staff was directed to expand the program established by these ordinances

To that extent, two Working Groups were established, one internal comprised of City staff, and one external comprised of local business representatives and other members of the community. Their purpose was to review existing efforts and to

identify concerns and recommendations for fulfilling the Council's strategic goal. Between October 2009 and February 2010 the working groups and staff prepared a comprehensive approach for conducting outreach to inform and train local vendors and contractors on the City's purchasing processes. The local procurement, contracting, and hiring operations are also intended to serve as an external outreach for the City to advance these practices through public and private partnerships.

Through enhanced and ongoing outreach effort, technical assistance from partners, and with the application of local preferences, the City creates an inherent partnership with the local business community and residents to:

1. Increase the City's contracting pool of ready businesses and residents for construction jobs
2. Promote the local economy by identifying local purchasing, contracting, and hiring opportunities;
3. Encourage local businesses to submit bids and proposals for City contracts;
4. Promote local hiring of Pasadena residents.

These efforts, among others, constitute the foundation of the Pasadena First Buy Local program. It is important to note that the preferences for local businesses are applied to local businesses with an active business license. Part of the validation process to ensure participants are licensed is an on-site inspection which is arranged by the Business Licensing division of the Department of Finance. This and other validation methods will be employed to guard against program abuse.

Programs such as the Pasadena First Buy Local are important in a good economic climate, but are even more imperative during bad economic times such as those we are currently experiencing. Although Pasadena's unemployment rate of 9.1 percent is better than the federal and state rate, areas of Pasadena are experiencing much higher unemployment which programs like Pasadena First Buy Local help to address.

Current purchasing processes maximize competition to obtain the best price and value for high costs purchases. These processes also encourage efficient procurement of low-cost items with minimal administrative expense. Reliance on open competition is a fundamental component of the City's procurement process. This principle will continue with the Pasadena First Buy Local program.

A preliminary study related to local procurement and hiring programs was used as a basis to help determine the best methods for implementing policies for Pasadena First Buy Local. Ongoing reviews of rules and best practices, however, will be used to improve the program, where possible. Attachment D contains a detailed description of the findings from the study.

In summary the study revealed the following positive economic impacts from a program such as Pasadena First Buy Local:

- Jobs are created/sustained
- Consumer/household spending from employed workers is created/sustained
- Businesses are sustained
- Spending on local fees is sustained (business license renewals, utilities, etc.)
- Additional local spending is generated/sustained (business/retail spending, etc.)
- Local tax revenues are generated/sustained
- More businesses/residents are drawn to the community
- Local economy diversifies and becomes more competitive (competition lowers costs)
- Contributions to local non-profit and charitable organizations are greater
- Involvement in community issues and community-based initiatives is greater

The Pasadena First Buy Local program is designed to be a comprehensive approach to enhance procurement opportunities for local businesses and residents. Attachment A (Pasadena First Buy Local – At A Glance) provides a overall summary of the program which will be used in continuing outreach efforts.

Attachment B (12 Month Implementation Timeline) contains an estimated timeline for the first twelve months of the program's implementation. The purpose of this timeline is to provide a general work plan that reveals the steps that are to be taken to establish the Pasadena First Buy Local effort. Attachment C (Operations Document) contains a detailed description of the program, and is designed to provide general administrative procedures for administering the program. The Operations Document was prepared with the combined resources of staff, the business community, and existing City ordinances.

COUNCIL POLICY CONSIDERATION

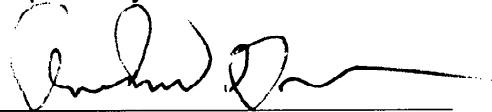
1. City Council three year goals - Support and Promote the Quality of Life and the Local Economy
2. The following City ordinances support the establishment and future advancement of Pasadena First Buy Local:
 - Municipal Code: 4.08.046 - Local preference for competitively bid contracts
 - Municipal Code: 4.08.047 - Competitive selection
 - Municipal Code: 4.08.048 - Local and small/micro business preference for competitively selected contracts

- Municipal Code: 4.08.151 - Monitoring and reporting
- Municipal Code: 4.08.181 - Federal Disadvantaged Business Enterprise Program
- Municipal Code: 4.08.182 - Powers and responsibilities
- Municipal Code: 14.80 First Source Local Hiring

FISCAL IMPACT:

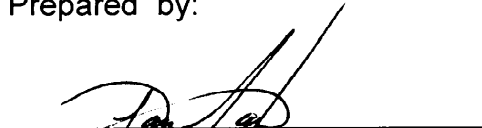
There is no fiscal impact. This item will be included in the Department of Finance's current 2010/2011 budget.

Respectfully submitted,



ANDREW GREEN
Director of Finance

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Department of Finance

Approved by:



Fr MICHAEL J. BECK
City Manager

Attachments: Attachment A – Pasadena First Buy Local "At a Glance"
Attachment B – 12 Month Implementation Timeline
Attachment C – Operations Document
Attachment D – Preliminary Study/Review March-2010