



City of Madison

Meeting Minutes - Final

ECONOMIC DEVELOPMENT COMMISSION

City of Madison
Madison, WI 53703
www.cityofmadison.com

Wednesday, February 7, 2007

5:00 PM

Parks Conference Room
Room 120 MMB

1 CALL TO ORDER / ROLL CALL

Present: Zachariah Brandon, Susan M. Gleason, Richard A. Slone, Mark Clear, Jeff C. Erlanger and Thomas W. Still

Absent: Edward G. Clarke

Excused: Patricia E. Jenkins, Michael E. Falk, Mark D. Bugher and Ralph Kauten

Commission member Jeff Erlanger was present via conference telephone.

Sue Gleason is Chairperson because Mark Bugher is Excused.

There was one registered public speaker, Julia Stone.

2 MINUTES OF THE DECEMBER 6, 2006 MEETING

A motion was made by Slone, seconded by Erlanger, to Approve the Minutes.
The motion passed by acclamation.

3 PUBLIC COMMENT

The registered speaker was asked to speak during the discussion on item #4.

4 LOCAL PREFERENCE PURCHASING POLICY SUBCOMMITTEE UPDATE

Mark Clear, member of the joint EDC and BOE subcommittee went over the report the committee wrote. The subcommittee met several times and was staffed by Andrew Statz, Fiscal Efficiency Auditor and Anne Zellhoefer, Assistant City Attorney.

Subcommittee Report Text

DATE: January 16, 2007

TO: Mayor, Board of Estimates Members, Economic Development Commission Members and Alders

FROM: Joint Subcommittee on Local Preference Purchasing Policies

SUBJECT: Buy Local purchasing policies

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 have considered the issue of potential Buy Local policies for the City of Madison and make the following recommendations.

Public purpose. The subcommittee found that there are two primary potential public benefits to the City adopting a 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.

Recommendations. The subcommittee recommends adopting a simple policy that could be easily followed by vendors and administered by City staff. The subcommittee recommends defining the local area as Dane County. The subcommittee also concluded that local address alone may not fully satisfy the spirit of the policy. So, additional criteria should be applied to determine whether a vendor is local.

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

Purchases under \$5,000. The subcommittee recommends a Buy Local policy for purchases under \$5,000 that largely reflects the parameters proposed by Alder Palm in Legislative File Number 04928. Given the decentralized and informal nature of such purchases, holders of City P-Cards would be encouraged, but not required, to use local vendors. To facilitate the identification of local vendors, the City should provide an opportunity for vendors to identify themselves as local according to several criteria:

- Portion of its employees working at facilities in Dane County (minimum 50%);
- Portion of ownership vested in residents of Dane County (minimum 50%);
- Portion of business sourcing within Dane County (minimum 15%).

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 criteria would

be considered local. In addition, the scores would result in a ranking of businesses, which is to say that some businesses on the list may be considered more local than others.

Any person or organization may voluntarily contribute to this list via the Internet. The resulting list would 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 should be consulted on how this list would best be made available for this purpose.

Purchases over \$5,000. To determine if a vendor is local, questions would be incorporated into formal bid documents and requests for proposal. A vendor must 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, the subcommittee recommends 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.

First, for these purchases, the subcommittee recommends establishing a preference of 1% for local vendors. If a local vendor submits a bid within 1% of the lowest non-local bidder, the purchase is awarded to that local vendor.

Second, the subcommittee also recommends a policy that would allow a local vendor to submit an additional bid if its original bid was within 3% of the lowest bid of a non-local vendor. Generally, a qualifying local vendor would have 48 hours to match the bid. In such instances, the 1% preference would not be applied. The subcommittee believes this opportunity to match would help avoid possible cost increases resulting from a Buy Local policy.

Requests for Proposal. RFPs 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. RFPs are scored against these established criteria. The subcommittee recommends providing local vendors with a bonus equal to 5% of total available points.

Exemptions and limitations. The subcommittee recommends a Buy Local policy with certain prescribed exemptions. Due to state law, Buy Local policies cannot apply to public works projects. Due to federal restrictions, federally funded programs should also be exempt. Exemptions should 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.

Reporting requirements. Purchasing staff should conduct a review of purchasing transactions and report annually to the Common Council 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 local purchased supplies and commodities. Purchasing staff should provide a similar report regarding purchases of commodities and services over \$5,000 using the bid and RFP processes.

Conclusion. The above policies should be spelled out in a resolution to be reviewed by the Board of Estimates, the Economic Development Commission and the Common Council.

Julia Stone, registered public speaker, small business owner and former state employee, spoke of her concern of having a web-based sign-up of vendors for their location. She suggested not allowing post office boxes as addresses and doing mailings 1 or 2 times a year to verify the addresses. She also suggested adding language to ban or somehow disqualify businesses which falsify their address.

The EDC directed the following questions to Mark Clear and Jeff Erlanger, also a subcommittee member.

Question: Is there a formal procedure for complaints?

Answer: This will be a complaint driven process. The City Attorney's Office will investigate any complaints.

Question: Recent trends statewide are to forming multi-county associations, and in light of the recent formation of the seven county Regional Economic Development Entity (REDE), isn't defining "local" as only Dane County bucking the trend and sending a mixed message?

Answer: There was much discussion at the subcommittee about the definition of "local." Some felt that a seven county region is not "local." It was noted many City of Madison workers live in other counties.

Question: Why allow a rebid if there is a 3% difference between bids? Is this fair to the original bidder?

Answer: The bidder only has 48 hours to submit their rebid, which is actually a bid match. When this was first discussed a rebid was called for at an even greater percentage of 5 to 8% and was changed downward to 3%.

Julia Stone, registered speaker, commented that at the state level the bid usually goes back to both for a "best and final" bid. This has worked effectively. There is concern that the 3% is still too big.

Question: Why bother with bids under \$25,000?

Answer: The subcommittee thought it was important for the City to set a good example of buying local at all levels. The proposed local bidders list would be available on the Internet for large and small businesses to also use. Many city purchases are for smaller amounts and this is a way each department can make a difference in the local economy.

Further discussion on the report, especially the issue of geography, will be at the March 7 EDC meeting.

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Creating Section 4.27 of the Madison General Ordinances to encourage City purchasing cardholders to select local vendors when making purchases.

A motion was made by Erlanger, seconded by Brandon, to Return to Lead with the Recommendation to Place on File to the BOARD OF ESTIMATES. The motion passed by acclamation.

5 DEPARTMENT OF PLANNING & DEVELOPMENT REORGANIZATION UPDATE

Mark Olinger, Director, Department of Planning and Community and Economic Development, explained the Common Council approved the reorganization ordinance at

their Tuesday meeting. The new name of the department is The Department of Planning and Community and Economic Development. The Department will be comprised of several Divisions, which were formerly known as Units:

Planning Division

Economic and Community Development Division

Neighborhood Preservation and Inspection Division

Housing Operations Division

Mark Olinger also mentioned the next step is looking at the job description for the head of the Economic and Community Development Division. Also he is finished with interview for the Manager of the Office of Business Resources (K. Naherny's old job) and hopes to have someone hired by the end of the second quarter of this year or earlier.

**6 3 - 5 YEAR ECONOMIC DEVELOPMENT STRATEGY IMPLEMENTATION PLAN
SUBCOMMITTEE UPDATE**

The subcommittees meet several times and looked at examples from other cities. Staff will write a draft of the RFP and bring it back to the subcommittee for review. Once a consultant is selected the awarding of the bid will have to go back to Common Council for approval.

7 OFFICE OF BUSINESS RESOURCES (OBR) 2006 ACTIVITIES

Mark Olinger will have a department wide list of economic development activities for the March meeting, which details the number of jobs added and financial investments by the Department in 2006.

8 COMMON COUNCIL UPDATE

Alder Brandon thanked the EDC for supporting the best buy contracting initiative to help develop the workforce.

9 ADJOURNMENT

The meeting was adjourned as 6:15 pm.

A motion was made by Erlanger, seconded by Slone, to Adjourn. The motion passed by acclamation.