

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
23	12/12/16	Open	Information	12/05/16

Subject: Potential Options for Changes to RT's Small and Local Business Program Policy

ISSUE

Presentation of potential options for changes to RT's Small and Local Business Program Policy.

RECOMMENDED ACTION

None. This is an informational item only. If the Board is inclined to make changes to the policy, staff will return on January 9, 2017, with proposed policy changes for adoption.

FISCAL IMPACT

None as a result of this informational item. It is noted, however, that giving preference to local businesses may result in contract award to a local contractor who does not offer the best price for the goods or services sought by RT. This would result in RT potential paying a higher price for the goods or services compared to a situation in which local businesses are not given a preference.

DISCUSSION

In 2008, the Sacramento Regional Transit District Board directed staff to develop a proposed RT Small Business and Local Business Preference Program for review and approval by the Board. On December 8, 2008, the Board approved staff's recommendations for a Sacramento Regional Transit District Small and Local Business Preference Program.

Regarding the Local Business element of the policy, RT has an interest in a strong local economy for at least two reasons: (1) more local businesses mean more local employees, thereby promoting transit patronage; and (2) RT is a beneficiary of locally-generated tax revenues.

For state and locally-funded procurements for services that require formal solicitation under RT's procurement ordinance (13-11-01), as amended, the RT Small and Local Business Preference Program includes a 10% point preference for Local and Small Business status (5% for Small Business and 5% for Local Business).

The RT policy defines a Local Business as a business located within Sacramento, El Dorado, Placer, Sutter, Yolo or Yuba County.

These counties are within the geographical area established by the state legislature as the Greater Sacramento Region. Staff purposely chose to not require in the Local Business definition that businesses be headquartered in the Greater Sacramento Area region in order to

Approved:

Presented:

Final 12/7/16

General Manager/CEO

Tim Spangler, Chief Counsel

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be eligible to receive Local Business preferences under the reasoning that companies that open branch offices in the region, contribute to the local economy and society by virtue of promoting local economic development, hiring locally, paying local taxes, etc.

Over the last year, specifically in connection with RT's proposed Request for Proposals (RFP) for Security Services, the Board has received public input RT's Local Business Policy with respect to the definition of Local Business. Members of the public have taken the position that RT's Local Business program should recognize businesses as local only if the business is headquartered in the Sacramento region under the reasoning that all the economic advantages of RT's contracting accrue to the benefit of the vicinities where the business is headquartered.

RT staff recognizes that RT's Local Business policy cannot generate the kinds of incentives available to municipalities to attract businesses to headquarter in their cities. Most municipalities generally have in-house Economic Development Departments that market a city and attract businesses to locate there. Such marketing generally includes resources to help businesses identify buildings, properties or land needed to locate a facility. Other strategies include marketing a specific attribute (a major university might attract technology firms, with a supply of local highly educated labor force, a sports team, etc.) or through institutional mechanisms like tax and other financial assistance.

RT's current Local Business policy point preferences benefit businesses already located in the region whether headquartered or not, and creates a competitive advantage in the procurement to "local" businesses over businesses not "located" in the region. RT staff supports RT's current Local Business policy structure but understands the Board has the discretion to make policy changes. Namely, pursuant to RT's Enabling Act, all questions of District policy are determined by the Board. (Public Utilities Code § 102120.)

Staff provides as alternative approaches for the Board to consider:

- 1) Leave the Local Business definition unchanged; or
- 2) Change the Local Business definition to allow preference points be given only to firms headquartered in the region; or
- 3) Modify the policy to provide different levels of point preferences to business that are headquartered in the region versus just located in the region (e.g. 10% preference points to businesses headquartered in the region and 5% preference points to businesses just located in the region).