



June 5, 2017

Memo to: Economic Diversification Committee  
 From: Brian Carlson, Finance Director  
 Re: City support of local businesses

**Summary**

This brief report summarizes City of Valdez transactions during 2016. Findings include:

- 32% of the City’s credit card transactions (\$476K out of \$1.48MM total) were to local vendors
- \$1MM was spent on local maintenance and janitorial contractors (snow removal, janitorial, electrical, plumbing)
- \$2.3MM was spent on local utilities and fuel (includes the “Energy Assistance” program)

**Background**

Support of local businesses by the local public-sector is a component of any economic development initiative. The circulation of dollars throughout the local economy provides an exponential benefit via a “multiplier effect”.

The City’s Procurement Committee, comprised of staff members, is analyzing data from 2016 to better understand the types and levels of local patronage, where these levels might be legitimately increased, and how that will impact the local economy.

The procurement committee is also exploring the City’s contracting procedures, which is a related component of the “buy local” effort.

**Analysis**

Sample of locally-procured services by largest category, excluding CIP and Major Maintenance contracts:

Fuel & Utilities	2,259,216
Telecommunications	305,196
Snow Removal (2016-17 Winter)	610,694
Janitorial	214,297
Automotive	32,477
Air Travel	30,693
Hardware	30,498
Dining	12,945
Equipment Rental	8,363
	<b>3,504,379</b>

**Analysis, cont'd**

The City has also procured contract services in excess of \$10MM during 2016 for numerous capital and major maintenance projects. The new harbor project is the largest driver of this figure, and this level of local contractor support will likely continue indirectly throughout 2017 and 2018, as both Harris Sand and Gravel and Zastrow are subcontractors on Phase II of the Harbor project. Staff estimates over \$7MM of local subcontractor awards are embedded in the Phase II master contract.

Examples of purchases to local and non-local vendors in 2016:

<b>Non-Local Vendors</b>		<b>Local Vendors</b>	
Amazon	73,000	Napa	32,477
Lowe's	6,460	South Central Hardware	30,498
Arctic Office	6,132	Prospector	25,107
Costco	4,700	Arts Design	17,841
KDL Hardware	2,976	Haltness	13,496
Office Depot	2,603	Valdez Office Supply	6,173
Spenard	2,162		
Sherwin Williams	1,885		
Home Depot	1,421		
Sam's Club	1,129		

**Conclusion**

There are some areas where improved coordination among public sector entities might increase patronage of local businesses, and staff will work to further analyze data so as to establish targets and find additional opportunities to increase local patronage.

One example is Valdez Office Supply, which captures \$6,100, or 18%, of the City's \$34K in office supply purchases. Staff has contacted the proprietor to brainstorm about whether and how to consolidate purchasing to include other public-sector entities so as to gradually enable local vendors to more completely meet the pricing and selection needs of large local customers. This template could be applied to numerous other local vendors.

Staff and Council may need to consider revisions to aspects of the procurement code, as national vendors (Amazon, Home Depot, Office Depot, etc.) often offer pricing that compels staff to patronize them in favor of local vendors.