CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: October 27, 2009

To: Honorable Mayor & City Council

From: Mahdi Aluzri, Assistant City Manager
Dr. Scott G. Miller, CFO / Director of Administrative Services
Alison Maxwell, Director of Economic Development and Marketing
Mark Brower, Senior Management Analyst

Subject: Buy Local Initiatives

Attachments: None

INTRODUCTION

At Councilmember Mirisch's request, Staff compiled information on both current and potential "buy local" initiatives.

DISCUSSION

Efforts to help local businesses through "buy local" programs are detailed below.

The efforts fall into one of three categories:

1. The City's current internal initiatives to buy locally;
2. Buy local initiatives for Beverly Hills residents and businesses; and
3. Regional buy local initiatives.

The City's Current Internal Initiatives to Buy Local – Internal City Purchases

The City's purchasing division encourages departments to buy locally to expedite procurement and contribute to the City's economy. Beginning in 2006, this effort was expanded by the creation of an Administrative Services Department work plan which focused on increasing the number of Beverly Hills businesses on the City's master bid list.

In addition, the purchasing division consistently educates departments on the expediency of utilizing vendors within the City. Presently, food purchases are primarily

made with vendors within the City's limits. City funded partners such as the Conference & Visitors Bureau (CVB) and Chamber of Commerce have in place formal policies of buying goods and services locally wherever possible. However, vendors for large equipment and other services are generally not found within the City's limits.

City purchasing staff has considered modifying the current purchasing policy to allow departments to spend 5% - 10% more than the lowest quoted price for an item or service provided by Beverly Hills businesses in an effort to increase the amount of local purchases (outside of the state regulations for public bid contracts). It was determined that this modification wasn't necessary since the current municipal code allows the purchasing agent to award purchases based on the purchase being in the best interest of the city.

Initiatives for Residents and Businesses – Citizen and Business Purchases

There are various programs that can be implemented in an effort to encourage Beverly Hills residents and businesses to buy locally. These efforts can be divided into three categories.

1. Display businesses currently registered with the City in an online searchable database.
2. Periodic marketing and information campaign.
3. Develop a comprehensive "buy local" program consisting of:
    a. Ongoing or periodic marketing campaign
    b. Display and ongoing maintenance of an online searchable database of local businesses

Display Businesses in an Online Searchable Database

The City currently doesn't have the ability to display businesses currently registered with the City in an online database. The City is in the process of replacing its existing finance software. All of the replacement software packages the City is considering allow businesses registered with the City to be displayed online. Once the new software is installed, the City can make this information available to the public.

It should also be noted that businesses included in such a list may not necessarily be headquartered in Beverly Hills. For example, a plumber based in Los Angeles who makes a service call to a Beverly Hills home must register with the City and, if necessary, pay business license tax. This business would then be displayed in any online database that was made available.

Currently, there are no funds budgeted for the management and maintenance of such a program. As a result, if a data base were created, it would need to be the responsibility of listed businesses to ensure business contact information was valid.

The Conference & Visitors Bureau current website provides a basic listing of businesses typically used by visitors. In the future, as the CVB updates its on-line capabilities; and, assesses its marketing program as part of the Marketing Strategic Plan process, there could be potential to leverage and possibly expand this resource to include a buy local program. Equally, this might be a program the Chamber of Commerce would be interested in developing, given applicable resources.

Periodic Marketing Campaign

Presently, the City doesn't have a specific buy local marketing campaign. A marketing campaign similar to the current holiday program to promote a buy local program could be developed. This program can be advertised in local publications, on street banners, included with utility bills, directly mailed to residents and businesses, and advertised on the City website. Similar marketing and information programs have cost $100,000 - $165,000 and typically require 200-300 hours of staff time to design, develop and manage. Assuming a Management Analyst were responsible for this project the estimated fully burdened cost of managing this program would be approximately $21,000 – $31,000. The total projected cost of this marketing program is estimated to be $121,000 - $196,000. With the current Beverly Hills sales tax rate, a $150,000 advertising program would have to generate an additional $15,000,000 in taxable sales in order to pay for itself, if direct dollar for dollar ROI were the primary objective. Council may consider other objectives such as environmental or developing brand loyalty goals as more relevant for a campaign such as this.

Develop a Comprehensive "Buy Local" Program

A comprehensive buy local program could be developed that consists of ongoing or periodic marketing campaigns in addition to a searchable online database of local businesses. This type of program is currently active in the City of Santa Clarita and is staffed and managed with the equivalent of a Management Analyst who spends 66% of their time on this program. This staff person is responsible for all activities associated with the program including marketing and promoting businesses, managing and updating program content, managing the official buy local website, registering new residential and business users to the website, attracting and soliciting special events, and securing discounts on sales and services from businesses in the program area. This program was started in part to address the leakage of sales lost to the San Fernando Valley.

This type of program could be implemented and supplemented with the proposed online searchable database of businesses registered with the City. This database would be updated either by businesses, CVB, Chamber of Commerce, or internal City staff.

Regional Buy Local Initiatives

Ongoing regional efforts are already under way through the (Westside Cities Chambers of Commerce (WC3) which is a coalition of Chambers from the Westside that coordinate efforts in such areas as business retention and businesses attraction strategies.

The Beverly Hills Conference and Visitors Bureau also works on a regional basis with area CVB's. A recent example is the extensive collaboration with the "DineLA" event, which seeks to highlight the great array of regional dining opportunities. Beverly Hills will be a major participator in the event, with 28 restaurants participating and gaining a great deal of regional PR and marketing coverage. The Westside CVBs also work collaboratively to leverage regional marketing, attracting the out of town visitor to the area.

Another ongoing regional effort that may be considered as an opportunity to coordinate a buy local initiative could be through the Westside Cities Council of Government (WCCOG). However, this group's mission at this point is more focused on advocacy for

legislative initiatives, and may not be an appropriate forum to promote parochial initiatives of this nature.

FISCAL IMPACT

A periodic marketing and informational campaign is projected to cost $100,000 - $165,000 annually. A comprehensive buy local program consisting of a continually managed effort to marketing and promote businesses, manage and update program content, manage an official buy local website, register new residential and business users to the website, attract and solicit special events, and secure discounts on sales and services from businesses in the program area is estimated to have an annual cost of $275,000 - $320,000.

Performance measures such as return on investment are generally difficult to develop for economic sustainability and economic development programs as there are many factors that contribute to economic performance. As such, the direct financial impact of any such program would be difficult to determine.

RECOMMENDATION

Given the size of and the uniqueness of the retail market in Beverly Hills, purchasing opportunities for both internal City operations and businesses and residents of the City could be somewhat limited. The City is well known for its high end retail market but lacks the large scale retail vendors that make up the typical suppliers of day to day City and business operations such as office supplies, construction equipment vehicle part supplies and the like. The Westside as a region though offers a wide array of services within close proximity which makes "regional buy local opportunities" more feasible.

Future regional buy local initiatives are likely to be a cooperative business effort led by a Westside chamber of commerce collective such as the WC3, rather than by the Westside Cities Council of Governments (WCCOG).

Staff is recommending Council receive and file this report.

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