



City of Cleveland
Office of the Council

Martin J. Sweeney
President of City Council

January 25, 2010

TO: All Members of Council

FROM: *MJS* Martin J. Sweeney, Council President

RE: Local sustainable businesses ordinance

Please find attached information about an ordinance regarding local food producing and purchasing and local sustainable businesses. It will be introduced tonight; this ordinance is not for passage tonight.

If you have any questions, please feel free to let me know.

cc: Patricia J. Britt, Clerk of Council

Memo

To: The Honorable Martin J. Sweeney, Council President
From: Ken Silliman, Chief of Staff *KS*
CC: All Members of Council
Date: January 25, 2010
Re: Local Producer, Local Food Purchaser, and Local Sustainable
Business Ordinance

Purpose of the Ordinance. In Mayor Jackson's 2008 State of the City address, he challenged the public and private sector to invest an additional \$2 billion in our local economy. In Mayor Jackson's August 2009, Summit on Sustainable Cleveland, local food production emerged as a significant initiative. In late 2009, the Jackson Administration introduced Ordinance No. 1660-09 to establish incentives for local producers (including local food growers) and local sustainable businesses.

Over the past several years, the Cleveland and Cuyahoga County Food Policy Coalition and its partners have been working on policies to encourage local food purchases. Councilman Joe Cimperman has actively participated in these discussions. As Ordinance No. 1660-09 moved through administrative review, the Jackson Administration and Councilman Cimperman began discussing improvements to the Ordinance based on the work done by the Coalition. Ordinance No. 1660-A-09 (as a substitute for Ord. No. 1660-09) represents the results of that collaboration.

Mayor Jackson believes that Ordinance No. 1660-A-09 can make Cleveland a national leader by promoting self-help for the regional economy by providing incentives—bid discounts on competitively bid contracts and evaluation credits on professional service contracts—to local companies that compete for City work. Additionally, Cleveland would become one of the first cities in the nation to provide these same incentives—bid discounts and evaluation credits—to companies that buy at least 20% of their contract amounts from regional food growers.

Specifically, three types of companies can take advantage of the incentives provided in this ordinance:

- Companies headquartered in the five-county region which fabricate, process or supply goods in the region; as well as companies headquartered in a wider 15-county region which grow food within the wider region;
- Companies headquartered in the five-county region which meet certain sustainability practices set by the Office of Sustainability; and
- Companies located anywhere which purchase at least 20% of the amount of their City contract from local food producers.

Companies meeting any one of these standards will receive 2% bid discounts (or evaluation credits in the case of professional service contracts). Companies meeting either two or three of the standards can receive 4% bid discounts or evaluation credits.

Here's an example of how a bid discount might work. Companies A and B bid on a City contract for the purchase of supplies. Company A, which has its one and only manufacturing plant headquartered in Boston and does not engage in sustainable business practices, bids \$97 per shipment. Company B, which has its one and only manufacturing plant headquartered in Warrensville Heights and does engage in sustainable business practices, bids \$100 per shipment. Both companies satisfy good faith efforts under the City's applicable ordinances.

Under present rules, Company A is awarded the bid because its \$97 is lower than Company B's \$100. However, under the new ordinance, Company B receives a 4% bid discount due to its local manufacturing and sustainable business practices; accordingly—and solely for purposes of bid comparison—Company B's bid is treated as though it was \$96. Under the new ordinance, the City awards the bid to Company B.

Administration of the Ordinance. If the ordinance passes, several City departments and divisions—OEO, Office of Sustainability, and Finance—will have to assume new responsibilities to keep the City's bids moving smoothly. OEO would certify Local Producers and Local Sustainable Businesses much like it now certifies MBE's, FBE's and CSB's: businesses come in at their convenience and submit the documentation, and get added to OEO's lists if they meet all requirements. In the case of Local Sustainable Businesses, the requirements include a determination by the Office of Sustainability.

Local-Food Purchasers cannot be certified in advance of a bid, because the qualification depends on a percentage calculation (percent of local foods purchased) that will vary from bid to bid. These determinations would have to be made by OEO as part of the bid evaluation (much like the good faith effort determination made by OEO regarding MBE/FBE/CSB compliance) and therefore could delay bid decisions. To minimize delay, we would develop a new schedule or an amended schedule which would be completed and submitted by every bidder seeking qualification as a Local-Food Purchaser.

To insure that all three of the new standards are achieving the ordinance's goals as stated in the recitals, we intend to develop regular reports using our new PRISM contract monitoring software.

Local Purchasing Goals. University Hospitals has established a goal of 80% local purchasing and is consistently achieving that goal in its Vision 2010 projects. The City of Cleveland has made gradual progress in local purchasing over the last several years, as evidenced by the trends shown in the following chart. The new ordinance, if passed, could continue this progress.

CITY PURCHASE DOLLARS SPENT ON COMPANIES BY LOCATIONS

TIME PERIOD	CITY %	COUNTY %	REGION %*
Q1 2008	46	55	61
Q2 2008	44	62	72
Q3 2008	40	46	72
Q4 2008	31	43	48
2008 TOTAL	40	51	61
Q1 2009	43	59	66
Q2 2009	48	57	64
Q3 2009	48	70	79
Q4 2009	57	64	78
2009 TOTAL	49	63	72

*"Region" is defined as Cuyahoga, Lorain, Lake, Medina and Geauga counties.