

CASE STUDY

Albuquerque Invests in its Economy by Contracting with Local Vendors



THE CHALLENGE:¹ Upon entering office on December 1, 2017, Albuquerque [Mayor Tim Keller](#) knew he wanted to use the city government's purchasing power as part of his economic development strategy in an effort to help boost the local economy. An analysis of city procurement indicated that an estimated \$150 million to \$300 million is spent annually by Albuquerque city government to purchase goods and services. Of that amount, at least 40% of funds were spent on non-local vendor contracts in 2017. As a result, the Keller Administration sought to develop strategies to maximize taxpayer dollars circulating in the local economy by contracting with local vendors.

THE APPROACH: Mayor Keller prioritized growth of Albuquerque's economy through a [Buy Local](#) initiative. To help accomplish this broad goal, members of Albuquerque's [Economic Development Department \(EDD\)](#), the [Office of Equity and Inclusion \(OEI\)](#), the [Department of Finance & Administrative Services \(DFAS\)](#), the [Mayor's Office](#), and the [Procurement Division \(PD\)](#), formed a working group to develop a range of strategies to shift their government procurement culture toward buying local. The City began by collecting new data with detailed demographic information on businesses as well as more specific commodity coding. The City also enhanced an existing interactive real-time dashboard on procurement dollars spent to hold city departments accountable when shifting contracting dollars toward local businesses.

THE RESULTS:² The City of Albuquerque has shifted 20 contracts from non-local vendors to local contractors between July 2018 and September 2018, keeping an additional estimated \$1 million in the City's economy. Of the money spent with local businesses, the City has increased the amount invested in minority-owned businesses, doubling from 4% to 8% in the same amount of time. Under Mayor Keller, city government staff has shifted its competitive procurement process and culture to prioritize local vendors for contracts between \$10,000 and \$60,000 by requiring all city departments to solicit a quote from at least one local business when applicable. Albuquerque city government has also increased the spending limit for non-competitive procurements from \$2,500 to \$10,000, requiring the use of local businesses for these small purchases when feasible.

RESULTS
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FOR AMERICA

December 20, 2018

INTRODUCTION

Newly elected Albuquerque Mayor Tim Keller came into office in December 2017 and challenged his team to embrace buying local as a cornerstone of the City's economic development strategy. Albuquerque was experiencing a slow recovery from the 2008 Great Recession compared to peer cities, and Mayor Keller sought to create economic solutions from within by channeling government spending toward local businesses. To jumpstart this shift, in early 2018 Mayor Keller challenged his Administration to convert ten contracts from non-local to local vendors by Labor Day of that year.

Beginning in April 2018, multiple city government departments responsible for economic development and procurement activities including the government's [Economic Development Department \(EDD\)](#), the [Office of Equity and Inclusion \(OEI\)](#), the [Department of Finance & Administrative Services \(DFAS\)](#), the [Mayor's Office](#), and the [Procurement Division \(PD\)](#), formed a working group. This group assessed the available data and developed a range of strategies to shift the City's procurement culture toward buying local. Through a variety of operational and cultural changes, the City was able to successfully shift an estimated additional \$1 million in contracts to local vendors between July and September 2018.³

[Brittany Ortiz](#), Deputy Director for the Mayor's Office of Equity & Inclusion and Results for America Local Government Fellow, is a member of this multi-departmental team responsible for using data and evidence-based strategies to increase local spending on behalf of the City.

THE CHALLENGE⁴

Upon entering office on December 1, 2017, Albuquerque [Mayor Tim Keller](#) made it a priority to shift a greater amount of city government's purchasing toward locally-owned businesses in an effort to help boost the local economy.

“Local businesses buy more of their supplies locally, pay salaries to our community members, and give back to our city. This \$1 million is money that otherwise would have left our state, but now it's staying right here in Albuquerque where it will help our economy grow.”

— TIM KELLER
Mayor of Albuquerque



Mayor Keller at the opening of ARISE Music & Coffee in downtown Albuquerque.

The City's annual operating and capital budgets combined were nearly \$1 billion, with an estimated \$150 million to \$300 million per year spent on city government procurement of traditional goods and services. Of that amount, at least 40% of funds were spent on non-local vendor contracts in 2017.

However, like many cities, Albuquerque lacked the data to gain an accurate picture of how much of their procurements and contracts were going to companies outside of the City rather

THE CHALLENGE (CONTINUED)

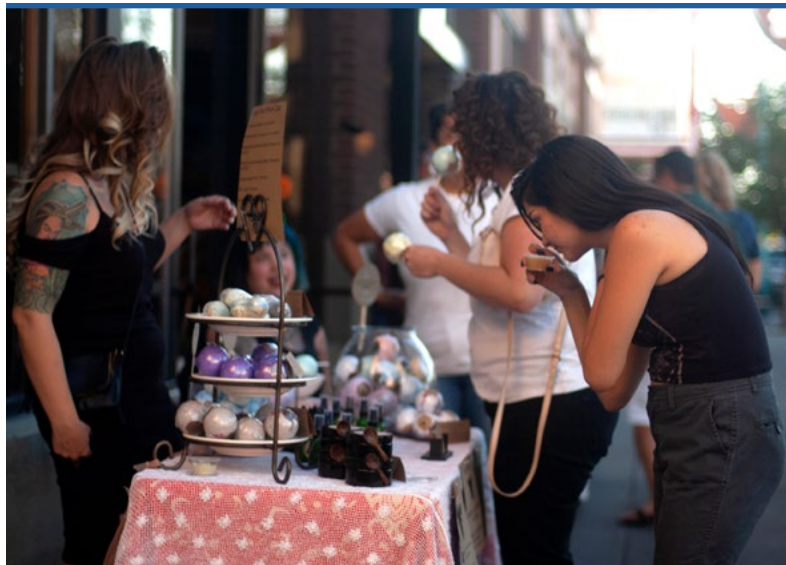
than staying local. The City's data systems contained general information about contracted vendors, but not enough detail to know if these companies were local, had a local presence, or were out of state. The City's data also lacked detailed commodity code information, which could help clarify business sector trends.

In addition, the City sought to develop new strategies to maximize the taxpayer dollars circulating in the local economy by contracting with local vendors.

THE APPROACH

In April 2018, in order to identify and implement effective strategies to increase the City's share of buying local, an internal city government working group was formed with members from the [Economic Development Department \(EDD\)](#), the [Office of Equity and Inclusion \(OEI\)](#), the [Department of Finance & Administrative Services \(DFAS\)](#), the [Mayor's Office](#), and the [Procurement Division \(PD\)](#). Their first major task was to shift at least ten contracts to local vendors by Labor Day of that year.

In response, the working group started by making several operational changes to the City's procurement process. First, the working group developed a clear definition of what it



Residents visit local popup vendors during a One Albuquerque: Engage event.

means to be a local business for the purpose of this work.

Then, the group modified the W-9 form that all vendors are required to use when conducting business with the City. The revised form includes detailed demographic data to help the City gather better data about its vendors and define the pool of local vendors in the marketplace. In 2017, Albuquerque had shifted from a paper procurement tool to an electronic version that includes more granular commodity codes. This allowed the City to identify and track sector contracting trends and to keep data easily accessible to a wide range of government staff.

What does it mean to be a "local" business?

The City of Albuquerque's definition of "local" comes from its Procurement Division's [Procurement Code](#)⁵. For the City, a business is defined as local when it maintains its principal office and place of business in the Greater Albuquerque Metropolitan Area, or has at least 51% of ownership residing in Albuquerque. The City also considers companies that have a presence in the community and employ residents but are not headquartered in Albuquerque to be "doing business local." All other companies that fall outside these parameters are categorized as "non-local."

THE APPROACH (CONTINUED)

Finally, the City increased the small purchasing limit from \$2,500 to \$10,000, required the use of local companies for small purchases and for professional services under \$75,000 when feasible, and now requires that departments seek quotes from at least one local business for all other purchases between \$10,000 and \$60,000. This allowed for greater flexibility for keeping purchases local and created clear guidance for increasing local vendor engagement.

Next, the working group compiled a list of contracts set to expire within the next three to six months and educated department directors and staff about the new rules for the [Buy Local](#) initiative. The EDD staff were critical in identifying local vendors with the capacity, expertise, and experience to bid on the expiring contracts.

To test the new system, the City is implementing its Buy Local initiative within one commodity sector where a majority of contracts are going to out-of-state vendors. For this implementation, the City seeks to shift up to \$2 million in Information Technology (IT) hardware to local businesses.⁶

“It’s hard to underestimate how important regular review of the data has been in grounding and shaping the work of this group and in the success we’ve had thus far.”

— BRITTANY ORTIZ
Albuquerque Deputy Director for the
Mayor's Office of Equity & Inclusion

Finally, the City invested in greater transparency to increase accountability for the Buy Local initiative. Specifically, the City enhanced an existing interactive real-time data dashboard to help staff track the government's purchasing habits and contracting outcomes. The [public-facing Tableau dashboard](#) allows businesses and the public to see the City's spending progress. In addition, city government departments are required to share expected bidding opportunities three to six months in advance of the formal posting of the bid or proposal to increase local vendor engagement.

Investing in the Local Creative Economy

To build a culture of buying local and to foster a relationship with the creative community, the City's "[One Albuquerque: Engage](#)" program turns vacant buildings on Central Avenue and Gold Avenue from 1st Street to 7th Street into spaces for members of the creative community and new business owners to establish temporary exhibits or shops. By building spaces and providing discount leases

for residents to grow into the next generation of Albuquerque vendors, the City revives an important commercial corridor while visibly showing their support for the potential in its residents. Additionally, the City is working with community organizers to create business navigation services including how to start, scale, and access government procurement to develop an ecosystem of business incubation.

TIPS FOR REPLICATION

- **Use a Top-Down and Bottom-Up Approach:** Mayor Keller's support and enthusiasm for the [Buy Local](#) initiative was necessary to engage multiple departments around one goal. However, the buy-in from front line staff was also required to effectively implement the project. To build buy-in, the working group spent time communicating across city government about why buying local was a priority and how they, as Albuquerque city staff, could be part of the solution to directly improve the lives of residents.
- **Make it Easy for City Staff to Comply with New Requirements:** The Buy Local push has already created many changes to the operations of city staff. This includes a requirement to identify local vendors for many city government contracts. To make it easier, the [Economic Development Department \(EDD\)](#) created a list of local vendors by sector that departments across the City can use when posting bids for proposals.
- **Data Increases Accountability:** The City of Albuquerque uses data to help identify and address the areas that demand improvement and create informed strategies that respond to current needs. The use of data allows the working group to better understand its progress in the Buy Local initiative and increase accountability with the public through greater transparency. The working group is now able to meet with departments to share detailed purchasing profiles and identify areas for improvement as well as celebrate in their success.
- **Respect Departmental Expertise and Autonomy:** The city's [Procurement Division \(PD\)](#) is the authority on the City's procurement code and ensures a consistent and legal procurement process for all contracts. Meanwhile, the EDD functions as the public

facing City entity who engages with local vendors and helps inform the PD and other city departments about new local vendors. These distinct roles allow both city departments to jointly advance the government's local buying goals.

THE RESULTS⁷

By the end of 2018, the City of Albuquerque had met and exceeded its initial challenge.

- The Albuquerque city government shifted twenty contracts, rather than their original goal of ten contracts, from non-local to local vendors. As a result, an additional estimated \$1 million has been directly invested into Albuquerque's economy in 2018.
- By increasing the limit on non-competitive procurements, Albuquerque has created 65 new contracts with local vendors since July 2018.
- Of the dollars spent, contracts with minority-owned businesses increased, doubling from 4% to 8% between July and September, 2018.
- City vendors are complying with Albuquerque's updated W-9 form due to increased outreach through fliers and emails. Over a six-month period, vendor compliance increased from 25% to 75%.⁸ Greater vendor compliance improves Albuquerque's baseline vendor demographic data, which will help the City assess successes over time.

Although the City lacks a true comparison from the prior year given significant one-time infrastructure spending in 2017, the percentage of total money spent on 2018 contracts with local companies is now an estimated 63% of the budget.⁹ Albuquerque will continue to monitor this data over time to determine whether the City is shifting more government contracts and dollars toward local vendors.

THE RESULTS (CONTINUED)

Moving forward, the Mayor's Office is in the process of establishing formal targets to track and evaluate progress along the following metrics:

- Percentage of total dollars spent with local companies – collected on a bi-weekly basis;
- Number of contracts issued to local companies – collected on a quarterly basis; and
- Percentage of total dollars spent with minority- or women-owned businesses.

In the future, the City will prioritize implementation of the [Buy Local](#) initiative in other large procurement sectors. This will include the construction sector, where contracts involve multiple sub-contractors who are typically local- and minority-owned businesses.

In addition, the City is conducting an inventory of its food vendors with the goal of investing in the local food chain and suppliers. Finally, regarding contract terms, Albuquerque intends to move to four-year contracts with annual reviews and away from the current model of one-year contracts with an optional one year review, for up to four years. This timeline is expected to better suit the needs of local vendors.

While it is too soon to determine the impact of these efforts, the Albuquerque [Buy Local](#) initiative is showing signs of success. The working group is collecting and highlighting local vendor success stories and actively communicating the initiative to the public. Over time, the City seeks to use the data it is collecting about local-, minority- and women-owned businesses to assess the impacts on resident outcomes such as job growth, wage increases, and reductions in economic inequality.



Mayor Keller and his son Jack at a local toy popup shop.

ABOUT RESULTS FOR AMERICA'S LOCAL GOVERNMENT FELLOWSHIP PROGRAM

Results for America's Local Government Fellows program was founded in September 2014 to provide an advanced group of local government leaders in diverse and influential cities and counties across the country the knowledge and support to implement strategies that consistently use data and evidence to drive policy and budget decisions on major policy challenges.

With the support and guidance of Results for America, the Local Government Fellows lead their governments toward advanced stages of data-driven and evidence-based policymaking in order to address major policy challenges in their communities. The **16 cities** and counties represented in the Fellowship collectively represent more than **28 million** people and **\$148 billion** in local government spending.

RFA engages its local government fellows in:

- Defining short- and long-term policy goals;
- Developing research partnerships with academics;
- Sharing best practices and demonstration projects;
- Problem solving among peers;
- Receiving individual feedback and coaching; and
- Participating in a national network and peer cohort.

Albuquerque has also worked with Results for America through Bloomberg Philanthropies' What Works Cities initiative to improve open data practices and develop the capacity to conduct low-cost, real-time evaluations of their programs to improve results. You can find more information here: <https://www.inc.com/lisa-abeyta/why-one-citys-data-revolution-is-good-news-for-startups.html>.

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ADDITIONAL RESOURCES:

- Find out more about the impact of buying local on city economies by reading: *Why Buy Local? An Assessment of the Economic Advantages of Shopping at Locally Owned Businesses* by Nandi Robinson and Rex L. LaMore (2010) here: <https://ced.msu.edu/upload/reports/why%20buy%20local.pdf>.
- Explore Albuquerque's Tableau dashboard to track the City's buy local progress here: https://public.tableau.com/profile/olivia.padilla.jackson#!/vizhome/CityPurchases_PeopleSoft/CityPurchases.
- Are you an Albuquerque resident? Find out how you can buy local here: <https://www.cabq.gov/economicdevelopment/buy-local>.
- Learn more about Results for America's **Local Government Fellowship** at <http://results4america.org>.

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PHOTOS

Cover Photo: Marble Street Studios.

Page 2: Mayor Keller's Office.

Page 3: ABQ Art Walk.

Page 6: Mayor Keller's Office.

ABOUT THE INVEST IN WHAT WORKS POLICY SERIES

This report is part of Results for America's Invest in What Works Policy Series, which provides ideas and supporting research to policymakers to drive public funds toward evidence-based, results-driven solutions. Results for America is committed to improving outcomes for young people, their families, and communities by shifting public resources toward programs and practices that use evidence and data to improve quality and get better results.



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