



# **Southern Apache County Procurement Analysis**

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## Southern Apache County Procurement Analysis

This study was prepared on behalf of the Economic Development for Apache County Corporation (EDAC) by the Arizona Rural Policy Institute (ARPI). During January, 2008, the ARPI conducted a mail/email/telephone survey of 15 of Southern Apache County's largest employers\*. The 13 respondents provided valuable information concerning their procurement practices, purchases they make locally, and purchases they would prefer to make locally. The compiled information should help EDAC to achieve the following goals:

- Identify potential retail and service businesses that the communities currently lack
- Determine strategies to improve the procurement of local goods and services by the region's major employers
- Inform local businesses regarding procurement procedures and protocols.

All respondents stated a desire to purchase locally when possible. While many mentioned specific goods and services, the most common response was that local spending would always be preferable under favorable conditions (price, availability, quality). A significant amount of respondents expressed interest in a procurement fair for local businesses.

### Products and Services Sought

The following list contains those goods and services respondents specifically mentioned when asked what they would be willing to purchase locally if available†.

<b>Printer Supplies</b>	<b>Paper</b>
<b>Fencing</b>	<b>Copiers</b>
<b>Food Products</b>	<b>Fuel Oil</b>
<b>Hardware</b>	<b>Lumber</b>
<b>Office Supplies</b>	<b>Plumbing Supplies</b>
<b>Machines</b>	<b>Rock</b>
<b>Computers</b>	<b>Concrete</b>
<b>Water &amp; Sewer Supplies</b>	<b>Building Materials</b>

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\* Employers who chose to participate are listed in the appendix.

† While many of the respondents surveyed were in agreement about lack of services or goods in southern Apache County, a number of discrepancies emerged concerning what was and what was not available. In some instances employers stated needs could not be filled locally while others were able to fill the same needs. This may indicate a lack of communication, either on the part of purchasing agents or advertisers within the local retail/service economy.

Specific items mentioned in multiple responses were building supplies, office supplies, and office machinery.

*Building supplies* include glass, lumber, concrete, and rock, were mentioned repeatedly, and may provide advantages to local companies due to transportation costs.

*Office supplies*, including paper and printing supplies, were mentioned by many respondents as products unavailable locally. Others listed office supplies as part of their current local purchases. The difference may lie with different towns, as half of those seeking office supplies are located in St. Johns. Another factor may be the type of office supplies sought. Regardless, many resort to e-commerce and trips to Show Low in order to purchase these items.

*Office machines* were products sought by many employers, yet are unavailable locally. These might include computers, copy machines, and printers. Many of the government employers purchase these larger items through a consortium of statewide institutions.

When asked what services are available locally, but at unfavorable terms, respondents mentioned the following items.

<b>Office Supplies</b>	<b>Machines</b>
<b>Food/Grocery/Catering</b>	<b>Diesel Fuel</b>
<b>Movie Rental</b>	<b>Building Supplies</b>
<b>Glass Repair</b>	<b>Tires</b>

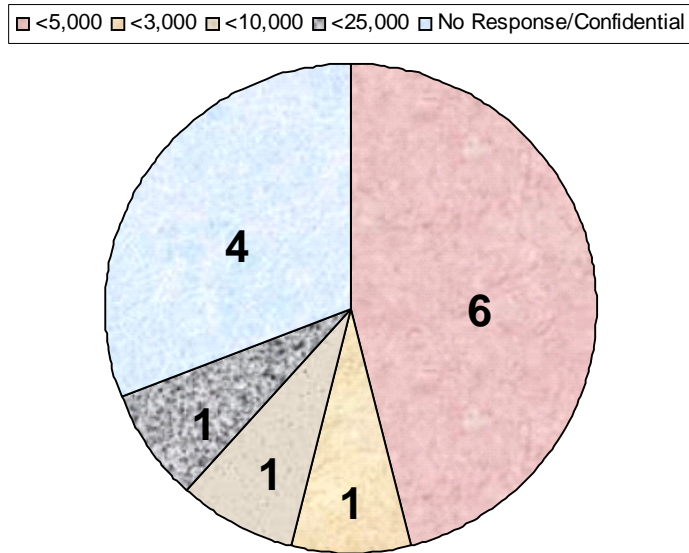
Respondents also gave suggestions and observations concerning these types of goods or services.

- One employer mentioned that his company had difficulty securing lines of credit locally, but could easily do so with stores in Show Low. As a result, his company takes its business across county lines.
- Many government entities are required to solicit multiple bids for services. A lack of local competition causes regional businesses to charge higher prices which are routinely underbid by companies from areas with multiple competitors.
- Several respondents suggested local businesses register and bid on state contracts
- Many local companies would benefit from joining purchasing cooperatives, reducing their own operational costs and subsequently their bids.

### Procurement Methods

A majority of those surveyed reported their procurement procedures. Of these, six public institutions required a competitive bidding process for purchases over \$5,000. Other Thresholds were \$3,000, \$10,000, and \$25,000.

Reported Threshold for Competitive Bidding



Most of these policies require quotes from three separate bidders once the cost threshold has been reached.

*No-Bid Purchases* Local businesses have an advantage when selling goods and services that fall beneath these bidding thresholds. The convenience of buying locally defeats the advantages of lower cost competitors from other areas. Local businesses would benefit by fulfilling these less-expensive needs.

*Oral Bids* In general, purchases amounting to between \$5,000 and \$15,000 require three oral bids.

*Written Bids* The written bidding process is required when purchases reach a significantly higher amount. These levels range from \$10,000-\$50,000.

*Sealed Bids* Sealed bidding is involved in the highest-cost procurements. Generally a request for bids is officially offered. This request outlines the parameters of the goods of service needed and the time in which they must be completed. The sealed bids are produced without the knowledge of other

bids and all are opened in public at a pre-ordained time. Common practice is the acceptance of the lowest bid that guarantees the satisfactory fulfillment of the needed good or service.

### **Advantaged Businesses**

Procurement policies will often give an advantage to certain types of businesses. Governments are often mandated to offer preferences, but private businesses also incorporate such policies at times.

#### *Federal Preferences*

The federal contracts awarded by the US Forest Service can give preferences. Contracts of over \$10,000 require local advertisement and solicitations. Contracts for less than \$100,000 are automatically set aside for small businesses.

#### *State Preferences*

State institutions, which include the Department of Transportation and the Department of Corrections, specifically target minority-owned and small businesses. Lower-cost projects, typically between \$5,000 and \$50,000, give preference to these groups.

#### *Local Businesses*

Local businesses prefer to buy from one another for reasons ranging from money-saving to increasing diversity and supporting local economies. Because a thriving economy benefits its composite parts as well as governance, both public and private companies are often willing to offer preferences to local suppliers. Generic benefits of local purchases include reduction of shipping costs and the ability to foster stronger business relationships. Local sellers are more easily able to offer post-sale support for their products.

#### *Women-Owned Businesses*

Businesses owned by women will receive preferential treatment by a variety of government agencies. This preference has been applied to certain federal contracts by law.

#### *Minority-Owned Businesses*

Those businesses owned by minorities will often qualify for preferences. The Apache-Sitgreaves National Forest, for example, can award contracts directly to 8(a)\* certified businesses regardless of the bidding process.

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\* The 8(a) Business Development Program provides critical business development assistance to companies owned by socially and economically disadvantaged individuals. This definition applies widely to minorities, but has been expanding to others. [http://www.fedaccess.com/8\(a\)program.htm](http://www.fedaccess.com/8(a)program.htm).

### *Disabled Veteran-Owned Businesses*

Businesses owned by disabled veterans are often given preference for contracts. The national forest specifically mentioned this policy.

### *Small Businesses*

Small businesses are specifically targeted by both government and private employers in the region. The city of St. Johns, for example, gives local businesses a preference if their bids are within 5% of the lowest bid.

### **Goods and Services**

The following table is a sample of the goods and services respondents currently purchase in southern Apache County.

Vehicle Servicing	Vehicle Parts	Limestone
Fleet Maintenance	Building Materials	Lumber
Vehicles	Propane	Auto Body Work
Groceries	Fuel	Sand Blasting
Hardware	Electrical Contracting	Electrical Supplies
Fuel	Printing	Ice
Gravel	Plumbing	Piping
Concrete	Signs	Tires
Valves	Roofing Material	Food
Construction Projects	Office Products	Supplies for Firefighters
Engineering	Railroad Supplies	Safety & Medical Equipment
Drinking Water	Cleaning Supplies	Road Maintenance

### **Volume**

Eleven of the thirteen respondents provided information suggesting estimated local annual purchasing volumes. **The aggregate total spent locally by these employers is approximately \$4.5 million.** This figure, while a rough estimation, illustrates the economic impact these organizations have on the area, and the potential benefit of their expanded purchases. Please note that this amount is a fraction of the total goods & services expenditures; currently, a large percentage of the organizations' purchases are made outside of the Southern Apache County region.

Many thanks to the following organizations for their cooperation:

*Town of Eagar*

*Arizona Department of Transportation*

*Arizona Department of Corrections*

*Round Valley Unified School District*

*Apache County Superintendent of Schools*

*White Mountain Regional Medical Center*

*St. Johns Unified School District*

*Salt River Project – Springerville Generating Station*

*Salt River Project – Coronado Generating Station*

*City of St. Johns*

*Tucson Electric Power*

*Apache County*

*Apache-Sitgreaves National Forest*