SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

POLICIES & PROCEDURES MANUAL

POLICY 51.030 - PURCHASING

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POLICY:

It is the policy of the Department to promote competition, impartiality, conservation of funds, and fair and open purchasing completed in a manner that ensures accountability, while seeking to realize the maximum value:

Quality Service and Responsible Spending

RESPONSIBILITY:

The Purchasing section ("Purchasing") is dedicated to providing excellent, responsive and courteous service to the Department and community by:

- following state laws, local ordinances, and administrative procedures, assuring the legality of the purchasing process;
- coordinating a uniform procurement system to supply Department operations with an uninterrupted flow of materials and services;
- 3. buying competitively and wisely to obtain maximum value for the ratepayers;
- 4. promoting vendor relations, as well as reliable alternate sources of supply; and
- 5. keeping inventory losses due to deterioration or obsolescence to a minimum.

PURCHASING METHODS:

The following policies are established to provide methods for purchasing supplies, general services, equipment and special equipment/supplies. A "purchase" shall include renting, leasing, or purchasing the above items.

Part I. PURCHASE ORDER:

Purchases of supplies, general services, special equipment/supplies, general equipment and construction contract

or public work specification of \$2,500 or more shall be made by purchase orders issued by the Purchasing Manager, after award by Purchasing or the Water Board (Board). Appropriate documentation on the expected scope of work and contracts are required as part of the purchase order.

Exemptions from the purchasing system include:

- Utility Payments
- Grants
- Payments to Other Governmental Units (Federal, state, county or municipal agencies)
- Lawsuit Settlement payments
- Postage
- Payments to temporary agencies for temporary staffing needs
- Memberships, subscriptions, conference registrations, trainings and related travel costs
- Refunds and utility rebates to customers
- Payment associated to CalPERS, health insurance providers, and other routine payments associated with the City's payroll operations
- Debt-related payments
- Insurance premiums
- Legal invoices
- Items paid via a purchasing card or credit card
- Emergency purchases (See Section F below)

Part II. PURCHASE ORDER CHANGES:

A purchase order is a contract between the Department and a vendor. Any change to a purchase order shall be documented appropriately.

Part III. PURCHASING CARDS:

Purchases of goods in the amount of \$2,500 and under may be procured by Department staff by utilizing their assigned purchasing card. For further information on the use of purchasing cards, please reference the Department's Purchasing Card Policy.

Part IV. UNAUTHORIZED PURCHASES:

A purchase order is required for all purchases over \$2,500, unless specifically identified as exempt in the above section.

- 1. Unauthorized purchases are void and not considered an obligation of the Department.
- 2. Invoices without an authorized purchase order may be returned to the vendor.
- 3. The person ordering the unauthorized purchase may be held personally responsible for the costs of the purchase or contract.
- 4. Purchase orders shall be issued to a vendor when ordering supplies and services and not "after the fact" for work

already done or materials already ordered or received.

PART V. HOW TO PURCHASE:

A. Creating a Purchase Requisition:

The following steps will be required of the requesting section to obtain a purchase order:

- 1. Establish a need for a determined good or service;
- 2. Determine that budgeted funds are available to support purchase. No purchase order shall be issued without an unencumbered appropriation for such purchase. All requisitions must have a valid account number. The annual budget may be used for a source document in determining the account to be charged. Should an account number not exist for the type of material or service being requested, funds must be located from a similar expenditure within each section's budget or a Budget Transfer Form must be completed and sent to Finance for approval as noted in the Budget Amendment Policy (#51-090);
- 3. Determine authorization level required up to the following dollar amounts:

a. General Manager (or designee)	\$100,000
b. Deputy General Manager,	
Department Directors (or designee)	\$40,000
c. Department Managers/Superintendents	\$20,000
d. Executive Assistant to the General Manager	\$15,000
e. Department Supervisors	\$7 , 500
f. Administrative Coordinator	\$5 , 000

4. Determine type of procurement:

- a. Requisition purchases inventory, goods and services (over \$2,500) automatically convert to a Purchase Order;
- b. Contracts goods/services over \$100,000 that have a contract/professional services agreement and for public works contracts approved by the Board;
- c. Other direct requisitions deemed appropriate by the General Manager or Deputy General Manager;
- d. Request for payment or Request for Check (RFC) purchases of goods under \$2,500, professional services and recurring monthly services (i.e., pest control or cable), monthly recurring fees (i.e., copier lease), subscriptions, memberships, conferences, etc.

All requirements must be completed by the requesting section and submitted with appropriate approvals to Purchasing.

B. Federal/State Funding:

Requisitions for goods or services which involve federal or state funding must be noted as "Federal/State Funding" in the description and assigned to a specific project number to ensure compliance with appropriate regulations.

C. <u>Preferences:</u>

The Department encourages the maximum opportunity to compete for services and contracts for the organizations listed below. The Department allows a one percent (1%) preference for the following types of vendors:

- 1. Businesses located in the city limits of San Bernardino;
- 2. Businesses owned by minorities;
- 3. Businesses owned by women;
- 4. Businesses owned by disadvantaged; and
- 5. Businesses offering an environmental option.

Any certification or license documents provided by vendor will be verified by Purchasing. Upon verification, a vendor file will be created and maintained by Purchasing. This file will be used for granting the one percent (1%) credit on all qualifying bids.

D. Dollar Limits:

- 1. Purchases in excess of \$100,000 require:
 - a. formal written contract (if applicable);
 - b. sealed bids for goods and services (public works projects);
 - c. Request for Proposal (RFP)
 - d. award by the Board; and
 - e. purchases may not be divided into small lots to keep individual orders under \$100,000.
- 2. Purchases between \$50,000 and \$99,999 require:
 - a. formal written contract (if applicable);
 - b. sealed bids for goods and services (public works projects);
 - c. Request for Proposal (RFP)
 - d. purchases may not be divided into small lots to keep individual orders under \$99,999.
 - 3. Purchases between \$10,000 and \$49,999 require:
 - a. informal, written quotes for purchases;
 - b. contact with a minimum of three (3) vendors;

- 4. Purchases between \$2,500 and \$9,999 require:
 - a. Informal verbal quotes for purchases;
 - b. contact with a minimum of three (3) vendors; and

E. Exceptions:

- 1. Intergovernmental cooperative purchases allow governmental agencies to utilize other entities contracts without going to bid when the following criteria is met:
 - a.agreement approved by a governing body and signed by both parties;
 - b. current contract;
 - c. advertised and competitively bid;
 - d. vendor will accept current contract price;
 - e. bid award within eighteen months of Department Purchase Order P/O; and
 - f. contract is available for review by the Department's
 Purchasing section.

F. <u>Emergency Purchases:</u>

Emergency purchases are allowed when unforeseen situations arise, and remedy must be immediate.

- 1. Time permitting, Emergency purchases must abide by California Public Contract Code Section 22050.
- 2. If immediate action is necessary and abidance by California Public Contract Code Section 22050 is not feasible, the General Manager or designee may authorize Purchasing to secure in the open market at the lowest obtainable price any supplies, materials, equipment or contractual services necessary. In all instances, a full explanation of the emergency circumstances will be presented to the Board at the earliest possible time.
- 3. All procurements made under this provision shall be made by:
 - i. Emergency Purchase order number issued by Purchasing Manager
 - ii. Emergency Purchase order is completed by following the requisition process associated with the Emergency Purchase Order number

G. <u>Sole Source Purchase:</u>

The bid or quote requirements may be waived in the case of a "sole source" purchase. One of the following conditions must exist to claim "sole source":

- 1. Vendor is the original equipment manufacturer and there are no regional distributors;
- 2. Parts or equipment are not interchangeable with similar parts or equipment available from another manufacturer;
- 3. No other equipment meets the specialized needs that performs the intended function; or
- 4. Other justification is available which establishes the vendor to be the only source available to provide the item or service requested.

The Board must approve "sole source" transactions in excess of \$100,000.

H. <u>Negotiated Purchases:</u>

At the discretion of the General Manager, the Purchasing Manager may authorize the purchase of technical or specialized supplies and equipment by competitive negotiation when such a method of purchase would be more advantageous to the Department and any one of the following conditions exists:

- 1. The supplies or equipment are such that suitable technical or performance specifications are not readily available;
- 2. The Department is not able to develop descriptive specifications; or
- 3. The quality of the supplies and equipment cannot be accurately determined by reference to their specifications alone.

The Board must approve these purchases over \$100,000.

I. Petty Cash Purchases:

Petty cash is established to facilitate the efficient procurement of low-cost supplies, materials or services, unavailable from the storeroom where the purchase requisition process is not practical.

J. Procurement of Professional Services:

Professional Services shall mean any specially trained and experienced individual, firm or corporation, in areas such as, but not limited to, financial, economic, accounting, engineering, information services, technical, architectural, or other similar disciplines.

Procurement of such professional services with costs less than \$100,000 may be approved by the General Manager. While services under \$100,000 do not require a Request for Proposal or Qualification, it is recommended that a competitive quote or informal quote is obtained from multiple sources, when available, to ensure the Department receives the best value for the service provided.

A Request for Proposal or Qualifications shall be prepared and solicited where practical from more than one service provider for professional services exceeding \$100,000 unless a provider has been prequalified by the Department. The Department shall solicit a Request for Qualifications for purposes of establishing and maintaining the prequalified list of providers which shall be utilized for common and routinely used professional services. Services with costs greater than \$100,000 shall be initiated in accordance with this section and approved by the Board.

Notwithstanding the foregoing, procurement of legal services, including special counsel services, up to the Department's self-insured retention (for any insured matter) or through the City Attorney's Office shall occur at the discretion of the General Manager without regard for the other limits set forth in this Policy.

K. Purchases of Goods Less Than \$2,500:

Purchases of goods less than \$2,500 do not require a purchase order, but should follow the guidelines listed below:

- a. An employee must obtain authorization from a supervisor for the purchase of items under \$2,500.
- b. Purchases can be made through: Request for Check (RFC), request for payment form (found on the Water Web under the Finance Division, "Documents and Forms") or using the Purchasing Credit Card (P-Card). Backup documentation (i.e., invoice, packing slips, receipts, etc.) should be attached to whichever above process is used.

Part VII. BID PROCESS (NOT APPLICABLE TO PROFESSIONAL SERVICES):

1. Formal Bid:

- After the proper approval has been received, the Α. requesting employee, project manager, or designee, shall prepare draft specification(s) for submittal to Finance. The Contracts Administrator, or designee, working in cooperation with the requesting employee, project manager, or designee, shall prepare the final fully detailed specification(s). formal The shall contain, at a minimum, specification(s) instructions for preparing the Bid; a detailed description of the goods and/or services required, including a statement of work if necessary; performance delivery schedule; any special contract provisions, general contract provisions, basis of award, and proposed contract terms and conditions; and the type of contract to be awarded. Formal specification(s) shall be as complete as possible so as to provide the bidding contractor or vendor as much information as possible.
- B. The request for bids or proposals shall be

electronically sent to qualified and responsible bidders in sufficient quantity to obtain as much competition as possible and reasonable.

C. Notice Inviting Bids:

Notice inviting bids shall include a general description of the supplies, materials, or services to be purchased, shall state where bid blanks and specifications may be secured, the date and time for electronic bid opening and what type bonds are required, if any.

D. Published Notice

The notice inviting bids shall be published at least ten days prior to the bid opening date. Notice shall be published at least once in a newspaper of general circulation printed and published in the City or posted on the Department's electronic bid management system, Planet Bids. The Contracts Administrator or designee shall publish the notice inviting bids in newspapers and trade publications outside the City as determined by the scope of the specification, in addition to publishing in local publications or electronic posting.

E. Determining Factor

When advertising for competitive bids is required, the lowest price bid shall be the determining factor in contract awards, providing the contractor or vendor is qualified, responsible, responsive, meets the quality standards of the specification, and best meets the needs of the Department.

F. Bidder's Security

Each bid or proposal may be required to be accompanied by a bidder's bond, a certified check, or a cashier's check in the amount not less than ten percent (10%) of the total bid. A bidder's security shall be required in order to protect the interests of the Department. When deemed necessary by established standards, bidder's security may be prescribed in the public notices inviting bids. When bid security is required, bidders shall be entitled to the return of bid security, provided that a successful bidder has been selected and the contract approved. A bidder shall forfeit his bid security upon refusal or failure to execute the contract within days after the notice of award of a (15)fifteen contract has been mailed, unless and to the extent the Department is responsible for the delay. The Board may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest and best bidder. If the Board awards the contract to the next lowest and best bidder, the amount of the lowest bidder's required security shall be applied by the Department to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be

returned to the lowest bidder.

G. Bid Opening Procedure

Bids shall be submitted electronically via the Department's electronic bid management software. The software tabulates all bids received. The results are automatically posted and made public on the bid deadline date and time, as stated in the public notices.

H. Rejection of Bids

At its discretion, the Board shall have the power to reject any and all bids presented and re-advertise for bids.

I. Waiver of Bid Irregularities and Informalities

At its discretion, the Board shall have the power to waive any and all bid irregularities and informalities.

J. <u>Tie bids</u>

If two or more bids received are for the same total amount or unit price, quality and service being equal, The Board may accept the one it chooses or accept the lowest bid made by negotiation with the tie bidders at the time of bid opening.

K. Bid Protest Procedure

In the event a bid award results in a protest of the award by one or more of the other bidders, the following steps must be followed:

- 1. The protest must be submitted to the Board in writing by the protesting bidder within fifteen (15) days of the bid award.
- 2. The protest letter shall contain the reason for the protest, any evidence supporting the protesting bidder's position, and a request for review by the Board.
- 3. The protest shall be placed on the agenda of the next available scheduled Board meeting following receipt of the protest, but no later than two scheduled meetings of the Board of Water Commissioners.
- 4. The protesting bidder, or representative, shall present to the Board their reason for the protest and their evidence supporting their position. This may be presented via written communication or in person.
- 5. After hearing the protesting bidder, the Board may consider the evidence presented, review the bid award and specification requirements, consult with

Water Department staff and/or legal counsel, and determine if the bid shall remain as awarded, be awarded to another bidder, or be rejected and readvertised. The decision of the Board shall be final.

2. <u>Informal</u>, <u>Written Purchases Over \$10,000.00</u>:

A. After the proper approval has been received, the Purchasing section, working in cooperation with the requesting employee, shall prepare detailed specification (s). Specification(s) shall contain, at a minimum, a detailed description of the goods and/or services required, including a statement of work if necessary, a delivery schedule, proposed contract terms and conditions, and the type of contract to be awarded. Specification(s) and a request for informal bid shall be as complete as possible so as to provide the proposing contractor or vendor as much information as possible.

For informal bid purchases over \$10,000.00 and under \$100,000.00, the purchase order, when completed shall meet the requirements of a formal contract. Additional requirements for insurance, performance bonds, warranty bonds and other contractual necessities may be attached to, and indicated in, the body of the purchase order.

- B. The request for informal bid shall be sent, in writing, to a minimum of three (3) qualified and responsible bidders, when possible. In the event three (3) bidders are not available, an explanation should be provided in the body of the purchase order.
- C. When informal bids are required, the lowest price quoted shall be the determining factor in the award, providing the contractor or vendor is qualified, responsible, responsive, meets the quality standards of the items requested, and best meets the needs of the Department.

D. Upon review of the responses from the bidders, the informal purchase for items or services over \$10,000.00, but under \$100,000, shall be awarded by the Purchasing section, with the proper approval thresholds met per this policy. All submitted informal bids must be attached to the requisition. Upon an award, a purchase order shall be prepared and signed by the Purchasing Manager. Any and all contractual conditions shall be appended to the purchase order, as necessary.

3. <u>Informal Purchases Under \$10,000.00:</u>

Informal purchases shall be awarded by the appropriate Purchasing staff, subject to the dollar limits consistent with this policy. When possible, a minimum of three (3) vendors shall be contacted by the Purchasing section and quotes must be attached to, or noted on, the requisition.

Upon an award, a purchase order shall be prepared by the Purchasing section.

4. <u>Contract Completion:</u>

- 1. Upon completion of the contract, Purchasing, in cooperation with the requesting party or Project Manager, shall ensure that all goods and/or services have been delivered as required by the contract, and that any defective materials be repaired or replaced as directed. If required, the Contracts Administrator and/or the Purchasing Manager shall then obtain affidavits or certificates of payment and/or release from any subcontractor, laborer, or material supplier.
- 2. Upon the satisfactory completion of a contract, the Contracts Administrator, the Project Manager, and the Purchasing Manager shall prepare all necessary documents for the final payment to the contractor. Receipts for material and services rendered, signed by the receiving employee, shall be included with the request for payment or purchase order.

Part VIII. Procurement Using Government Funds:

In certain cases, procurement may be made using government funds. In these instances, the following requirements apply:

1. All contracts shall be reviewed by the Water Department Legal Counsel, the Contracts Administrator, Purchasing Manager or designee and the Project Manager to ensure that all contract clauses and requirements are included.

- 2. For all negotiated procurement and change orders, in excess of \$100,000.00, the following minimum requirements must be met:
 - A. The contractor must submit a detailed cost and price proposal.
 - B. The contractor must submit a signed Certificate of Current Cost and Pricing Data twice, once at the time of proposal submission, and again at the conclusion of price negotiations.
- 3. In the source selection process, specific attention shall be given to ensure that small business enterprises, minority business enterprises, and women's business enterprises are encouraged to submit proposals and are given every opportunity to win contract awards. The instructions contained in the federal contract shall be followed.
- 4. Copies of <u>all</u> documentation and written records shall be filed, stored and safeguarded for future reference by federal audit.

Policy Review Established:

TOTICY REVIEW	
Established:	1/1993
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